Great-West Life | Annual Report 2003

Being there...

THE
Great-West Life
ASSURANCE COMPANY

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CORPORATE PROFILE

The Great-West Life Assurance Company (Great-West or the Company) is a leading Canadian insurer, with interests in life insurance, health insurance, investment and retirement savings and reinsurance businesses, primarily in Canada, the United States and Europe.

In Canada, Great-West and its subsidiaries, London Life Insurance Company and The Canada Life Assurance Company, offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. The companies provide a wide range of retirement savings and income plans; as well as life, disability and critical illness insurance for individuals and families. As a leading provider of employee benefits in Canada, Great-West offers effective benefit solutions for large and small employee groups.

Together, Great-West and its subsidiaries serve the financial security needs of nearly 12 million people across Canada and have more than $115 billion in assets under administration.

Great-West is a wholly-owned subsidiary of Great-West Lifeco Inc., a member of the Power Financial Corporation group of companies.

Being there...with

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the insurance industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions.

The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. The Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

NON-GAAP FINANCIAL MEASURES

This report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "adjusted net income","earnings before restructuring costs", "net income before restructuring costs" and other similar expressions. Non-GAAP financial measures are used to provide management and investors with additional measures of performance. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

Solid Management
Client Service
Products and Expertise

FINANCIAL HIGHLIGHTS

(in $ milllions, except per share amounts)

	2003	2002	% Change
For the years ended December 31			
Premiums:			
Life insurance, guaranteed annuities and insured health products	$ 9,937	$ 8,198	21%
Self-funded premium equivalents (ASO contracts) *(1)*	1,675	1,355	24%
Segregated funds deposits: *(1)*			
Individual products	2,768	1,649	68%
Group products	1,808	1,163	55%
Total premiums and deposits	16,188	12,365	31%
Bulk reinsurance – initial ceded premiums *(2)*	(6,279)	–	–
Net premiums and deposits	9,909	12,365	-20%
Fee and other income	660	420	57%
Paid or credited to policyholders *(2)*	4,567	8,978	-49%
Summary of net income attributable to:			
Participating policyholder			
Net income before policyholder dividends	763	608	25%
Policyholder dividends	666	608	10%
Net income – participating policyholder	97	–	–
Shareholder			
Preferred shareholder	11	14	-21%
Net income common shareholder before restructuring costs	728	461	58%
Restructuring costs *(3)*	16	–	–
Net income common shareholder	712	461	54%
Per Common Share			
Net earnings before restructuring costs	$ 450.52	$ 376.97	20%
Restructuring costs after tax *(3)*	9.82	–	–
Net earnings	440.70	376.97	17%
Dividends paid – regular	199.70	248.14	-20%
– special	–	30.71	–
Book value	$ 3,616.00	$ 1,659.00	118%
Return on common shareholder equity:			
Net earnings before restructuring costs	15.5%	24.0%	
Net earnings	15.2%	24.0%	
At December 31			
Total assets	$ 70,735	$ 36,054	96%
Segregated funds assets *(1)*	44,874	18,504	143%
Total assets under administration	$ 115,609	$ 54,558	112%
Participating policyholder equity	$ 1,380	$ 1,246	11%
Shareholder equity	7,544	2,262	234%
Total policyholder and shareholder equity	$ 8,924	$ 3,508	154%

(1) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*
The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts. Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

(2) *(i) During 2003, as part of a risk rebalancing program related to the acquisition of Canada Life Financial Corporation (CLFC), a number of bulk reinsurance ceded contracts were executed by Great-West with third parties on a funds withheld basis. Premiums related to the initial cession of in force business were $2,716 million.*
(ii) During 2003, a reinsurance agreement was executed between CLFC and Great-West Life & Annuity Insurance Company (GWL&A) whereby GWL&A reinsured 80% of the individual and group policy liabilities of CLFC's US branch. Premiums related to the initial cession of this business were $3,563 million.

(3) *Following the acquisition of CLFC by the Company's parent, Great-West Lifeco Inc., a plan was developed to restructure and exit selected operations of CLFC (see note 3 in the Company's financial statements). Costs of $488 before tax are expected to be incurred as a result, including approximately $412 that was recognized as part of the purchase equation of CLFC, and $76 to be charged to income as it is incurred. Of this latter amount, shareholder net income for the year ended December 31, 2003 includes restructuring costs of $16 after tax or $9.82 per common share. Net income, basic earnings per common share and return on common shareholder equity are presented before restructuring as a measure of earnings performance, excluding restructuring costs related to the acquisition of CLFC, and incurred during the period – refer to non-GAAP financial measures on page 11.*

ROBERT GRATTON

RAYMOND L. MCFEETORS

Being there...with Solid Management

For well over a century, Canadians have turned to Great-West Life for help in meeting their financial security needs. By being there with the solutions, we've grown into a leading source of insurance and investment products and services for individuals and organizations across Canada.

In 2003, we achieved another milestone in our long history, with the acquisition of Canada Life Financial Corporation, which was completed on July 10. In welcoming Canada Life to our group of companies, we not only strengthen our position as one of the leading life and health insurers in Canada and expand the distribution network for our products and services, but also gain a significant foothold from which to grow in Europe.

Overall, Great-West recorded another very strong year in 2003. Total net income increased 73% over 2002, reflecting performance in our lines of business as well as the addition of Canada Life's business. Participating policyholder net income of Great-West and its subsidiaries London Life and Canada Life, grew 25% before dividends in 2003, to $763 million. During the year, Great-West and its subsidiaries paid $666 million in policyholder dividends, an increase of 10%.

When Canada Life business is included, total premiums and deposits increased by $3.8 billion over 2002 before bulk reinsurance transactions, and total fee income increased by $240 million. Bulk reinsurance transactions in 2003 resulted in a reduction of $6.3 billion of revenue and a corresponding reduction in benefits paid or credited to policyholders. Total assets under administration more than doubled, to over $115 billion, including $53.2 billion attributable to Canada Life's operations in Canada and Europe.

CANADA LIFE

In 2003, we made significant progress in integrating Canada Life's Canadian operations, a process that will be substantially completed in 2004. For Group life and health insurance operations, we are consolidating business under the Great-West brand and systems, building on our existing strengths in this market. The Canada Life brand and distribution channels will continue to be distinct and offer important advantages in key markets, such as individual insurance, investments and creditor insurance.

As well, to enhance efficiency and cost effectiveness across our operations, we are consolidating our investment, information services and corporate support functions, as well as the administrative operations within each of our lines of business. Much of this work was completed in 2003.

Great-West gained a significant presence in Europe with the acquisition of Canada Life, which ranks among the leading insurers in the United Kingdom, Republic of Ireland and Germany. In 2003, we continued to focus on our core European businesses: individual and group insurance and wealth management. A business efficiency program was established to focus on service and on cost reduction through process improvements.

During 2003, as a result of the acquisition of Canada Life by our parent company, Great-West Lifeco, certain ratings assigned to Great-West Lifeco and its subsidiaries were lowered. As a result, the financial strength ratings assigned to Great-West by A.M. Best Company, Moody's Investors Service and Standard & Poor's Rating Service were lowered by one rating notch. The Moody's and Standard & Poor's ratings were placed on negative outlook. The financial strength ratings of Great-West remain very strong after these rating actions.

Great-West's MCCSR or Minimum Continuing Capital and Surplus Requirements ratio, one measure of the financial strength of an insurer, was 190% at year end, compared with 223% in 2002, reflecting the acquisition of Canada Life. Great-West's MCCSR remains strong, continuing to exceed requirements.

EMPLOYEE BENEFIT SOLUTIONS FOR LARGE AND SMALL ORGANIZATIONS

The acquisition of Canada Life strengthened Great-West's position as one of the leading providers of employee life, health and retirement benefit plans in Canada.

Our Group Life & Health division produced significant year-over-year gains in financial results in 2003, while maintaining strong service levels for our clients. Including Canada Life business, our premium income for the year increased 25% to nearly $4.5 billion before bulk and associated ongoing reinsurance transactions. This included growth of nearly 32% in our small and mid-sized case target markets. While total sales of group insurance plans were essentially stable over 2002, sales from new clients increased sharply. This was offset by a reduction in sales of plan improvements to existing clients. Overall sales in our small and mid-sized case target markets showed growth of 8% over 2002.

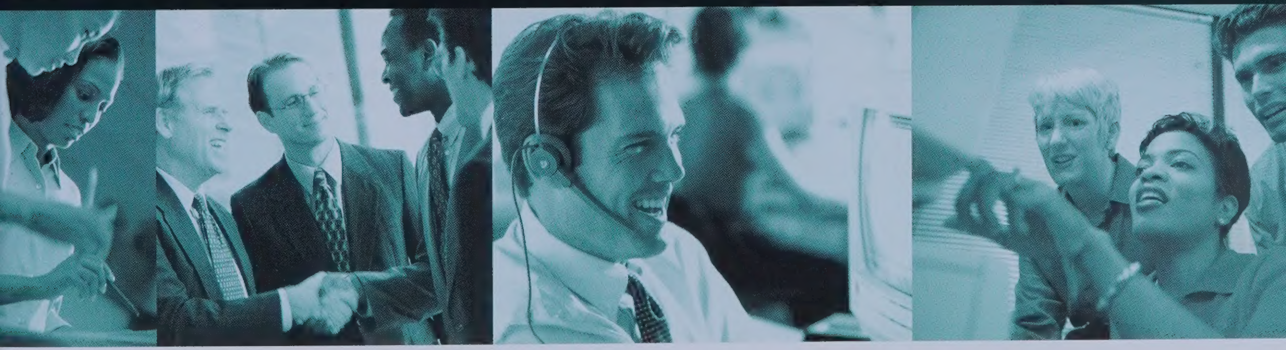
Serving the needs of more than 34,000 plan sponsors and their plan members gives us the scale and depth of expertise to offer effective benefit plan solutions at competitive costs. One example is *GroupNet™* Online Services for Plan Members, launched January 1, 2004. This web-based service gives plan members access to an array of online self-service options, improving service while reducing overhead administration costs for plan sponsors. It complements our industry-leading *GroupNet* for Plan Sponsors, which offers web-based benefits administration services for sponsors of group insurance plans.

Also in 2004, we will introduce a group critical illness product. This new product combines competitive features of Canada Life's group critical illness insurance with our extensive experience in group disability insurance and in individual critical illness coverage. We believe this offers an excellent solution to a growing need identified by our group clients to provide critical illness coverage for their plan members.

Canada Life is a recognized leader in the creditor insurance business, with over $1 billion in annual premium. Through the acquisition of Canada Life, Great-West has gained a leading position in this market segment. We will build on Canada Life's expertise and established reputation in this market, maintaining the Canada Life brand and product offerings and consolidating Great-West's creditor administration operations with those of Canada Life. A major focus of 2004 will be the implementation of new system technologies to enhance our administrative support and service for group creditor insurance clients.

Being there...with Client Service

Over the past year, we've added several new web-based services, including an online service portal for members of group benefit plans and online banking services with National Bank of Canada. We will introduce enhanced online services for our financial security advisors later in 2004.



In our Group Retirement Services division, the integration and consolidation of Canada Life operations with those of Great-West and London Life saw our business grow to a total of 12,000 retirement and savings plans under administration, $22 billion in assets and $3.5 billion in annual deposits. We now offer the largest network of group retirement specialists in Canada, located in 13 cities nationwide. In 2003, sales of group retirement and savings plans increased 50% over 2002 levels, when Canada Life sales are included.

Late in 2003, an agreement was put in place with a third party provider which will enable Great-West to provide enhanced levels of service to sponsors of capital accumulation plans offered by our Group Retirement Services division. Using innovative technology, we now offer plan sponsors the option of providing their employees with stock incentive plans. The web-based system provides record-keeping, reporting and employee access for these types of plans.

Another major focus in 2003 was plan member communication. We enhanced our plan member enrollment material to include interactive educational elements.

HELPING CLIENTS WITH PERSONAL FINANCIAL SECURITY NEEDS

The value offered to clients by our network of financial security advisors and independent brokers and consultants is a key factor behind the performance of our individual insurance lines of business in 2003. Their expertise, combined with our broad portfolio of competitive insurance and investment products, helps clients build an insurance and investment portfolio targeted to long-term financial security needs.

In the investment funds market Great-West, together with London Life and Canada Life, is a leading provider, offering a range of proprietary segregated funds. In addition, we distribute proprietary and third party mutual funds through Quadrus Investment Services Ltd., our mutual funds dealer.

In 2003, net sales of proprietary segregated and mutual funds were $344 million. This was accomplished in an environment where industry net sales of investment funds experienced a loss of $300 million. Assets under administration for segregated funds grew 40% over 2002, including Canada Life assets. Excluding Canada Life, segregated funds asset growth, at 14%, paralleled that of the industry.

In our individual insurance business, life insurance sales continued to outpace the industry in 2003. Although life insurance sales remained relatively flat across the industry, our individual life insurance sales, including those of London Life, grew modestly. When Canada Life business is included, new annualized premiums increased by 30% to $140 million in 2003. Participating insurance sales increased 19% over 2002, as our products continue to appeal to consumers seeking to protect their estates and transfer the value of their estates to their heirs.

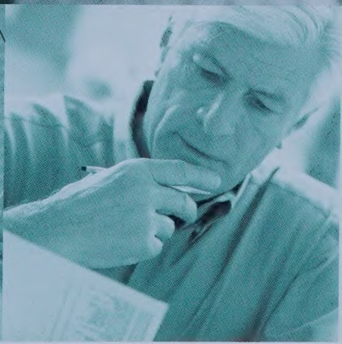
The acquisition of Canada Life has reinforced Great-West's position as a leading provider of living benefits products for Canadians. Sales in our living benefits product lines, which include disability insurance and critical illness insurance, increased 42% over 2002, driven by strong sales of critical illness insurance and the inclusion of Canada Life sales. As well, we introduced several enhancements to *Oasis™*, Great-West's critical illness insurance product, to strengthen the product offering and provide more options to meet clients' needs.

Consistent with our strategy to strengthen client relationships and extend our offering of financial products and services, we introduced *Solutions Banking™* in 2003. This innovative approach to banking is made available in association with National Bank of Canada, an experienced private-label banking supplier. *Solutions Banking* offers clients a comprehensive range of banking products and services, including chequing and savings accounts, debit and credit cards, online banking, and investment loans, to complement our core financial security products.

Later in 2004, Great-West and London Life will introduce an advisor portal. This web-based, secure site will offer financial security advisors enhanced online information and services to enable them to better serve their clients. As well, we will introduce private wealth counsellors to assist financial security and investment representatives in serving clients in the affluent and established market.

Being there...with
Products and Expertise

Clients look to our range of competitive products and the network of financial security advisors, brokers and consultants who distribute our products nationwide, for help in meeting their long-term financial goals.



Due to sustained lower market returns on the assets backing liabilities in the participating account, the Company introduced a reduction to the Great-West policyholder dividend scale, effective April 1, 2004. Great-West continues to deliver solid long-term policyholder dividend performance as a result of emphasizing sound management of our participating insurance business.

BUILDING IN THE COMMUNITIES WHERE WE LIVE AND WORK

Being there for Canadians is about more than offering financial security products and advice. Through our national *Key to Giving™* program on behalf of Great-West, London Life, and now Canada Life, we provide direct financial support to hundreds of charitable, non-profit and community-based organizations across the country. We work with organizations recognized for their creativity and initiative to ensure our financial and volunteer support can make the greatest possible impact. We encourage the volunteer spirit of our staff and financial security advisors. Most importantly, we focus on building partnerships for the future, summed up by our philosophy *Stronger Communities Together™*.

In the year ahead, we will continue to build on the strong foundation that our companies have established in the communities in which we do business. Highlights of our approach to corporate social responsibility and community involvement are available in our 2003 Public Accountability Statement.

BOARD OF DIRECTORS

It is with sadness that we mark the passing of Director Dr. Charles H. Hollenberg, who served for 28 years on the Boards of Great-West and its subsidiaries. His knowledge, experience and compassion enabled him to make a valuable contribution to the Company, and to the medical community which he served passionately throughout his career.

The Honourable P. Michael Pitfield retired as a Director in 2003, after serving for 17 years on the Boards of Great-West and its subsidiaries. Senator Pitfield served as Clerk of the Privy Council, as Secretary to Cabinet, and ultimately was summoned to the Senate of Canada in 1982.

We greatly appreciate the enormous contribution made by Dr. Hollenberg and Senator Pitfield to the Company and its subsidiaries over the years.

A PROUD HISTORY, A CONFIDENT FUTURE

Canada Life has a proud history as Canada's first and oldest life insurer. The addition of Canada Life enhances our ability to provide our clients with competitive products and services, and augurs well for future expansion.

The quality of our products and services reflects the skill and dedication of the people who create and distribute them and who serve our clients. We are fortunate to have very talented and dedicated people across our organization. On behalf of the Board of Directors, we thank our people for their contributions, and we thank our clients for the opportunity to serve them.

ROBERT GRATTON
Chairman of the Board

RAYMOND L. MCFEETORS
President and Chief Executive Officer

2003 CONSOLIDATED OPERATING RESULTS

Selected Consolidated Financial Information *(in $ millions, except per share amounts)*

	2003	2002	% Change
For the years ended December 31			
Premiums:			
Life insurance, guaranteed annuities and insured health products	$ 9,937	$ 8,198	21%
Self-funded premium equivalents (ASO contracts) *(1)*	1,675	1,355	24%
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Summary of net income attributable to:			
Participating policyholder			
Net income before policyholder dividends	763	608	25%
Policyholder dividends	666	608	10%
Net income – participating policyholder	97	–	–
Shareholder			
Preferred shareholder	11	14	-21%
Net income common shareholder before restructuring costs	728	461	58%
Restructuring costs (3)	16	–	–
Net income common shareholder	712	461	54%
Per Common Share			
Net earnings before restructuring costs	$ 450.52	$ 376.97	20%
Restructuring costs after tax *(3)*	9.82	–	–
Net earnings	440.70	376.97	17%
Dividends paid – regular	199.70	248.14	-20%
– special	–	30.71	–
Book value	$ 3,616.00	$ 1,659.00	118%
Return on common shareholder equity:			
Net earnings before restructuring costs	15.5%	24.0%	
Net earnings	15.2%	24.0%	
At December 31			
Total assets	$ 70,735	$ 36,054	96%
Segregated funds assets *(1)*	44,874	18,504	143%
Total assets under administration	$ 115,609	$ 54,558	112%
Participating policyholder equity	$ 1,380	$ 1,246	11%
Shareholder equity	7,544	2,262	234%
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The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of The Great-West Life Assurance Company (Great-West or the Company) in 2003 compared with 2002. The MD&A provides an overall discussion, followed by analysis of the performance of the Company's major reportable segments.

Forward-Looking Information

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the insurance industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. The Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

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Canada Life Acquisition

On July 10, 2003, Great-West Lifeco Inc. (Lifeco) completed its acquisition of Canada Life Financial Corporation (CLFC), and its subsidiaries including The Canada Life Assurance Company (Canada Life). Lifeco acquired all outstanding common shares of CLFC that it did not already beneficially own, for an aggregate transaction value of $7.2 billion. Lifeco immediately transferred the common shares of CLFC to its Canadian subsidiary, Great-West. CLFC is now a subsidiary of Great-West.

Businesses

Through Great-West and its subsidiaries, London Life Insurance Company (London Life) and Canada Life, a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, is offered through a network of Freedom 55 Financial™ and Great-West financial security advisors, and through a multi-channel network of brokers advisors and financial institutions.

Internationally, insurance and wealth management products and services are offered mainly through Canada Life subsidiaries in the United Kingdom, the Republic of Ireland, the Isle of Man and Germany.

Great-West provides reinsurance in North America and Europe, through Canada Life and its subsidiaries, as well as through its subsidiary London Reinsurance Group (LRG).

Translation of Foreign Currency

Throughout this report, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items (net revenues) are translated at an average rate for the period. The rates employed are:

Years ended December 31	Balance Sheet	Operations
United States Dollar		
2003	$ 1.2900	$ 1.4000
2002	$ 1.5800	$ 1.5700
2001	$ 1.5930	$ 1.5490
British Pound Sterling		
2003	$ 2.3100	$ 2.2900
Euro		
2003	$ 1.6300	$ 1.5800

Quarterly Financial Information *(in $ millions, except per share amounts)*

		Total Revenue	Net Income – Participating Policyholder: Net Income Before Policyholder Dividends	Net Income – Participating Policyholder: Policyholder Dividends	Net Income – Participating Policyholder: Net (undistributed) Income (2)	Net Income – Common Shareholder: Net Income	Net Income – Common Shareholder: Earnings Per Common Share	Adjusted Net Income – Common Shareholder (3): Net Income	Adjusted Net Income – Common Shareholder (3): Per Common Share
2003	Fourth quarter	$ 4,355	$ 218	$ 180	$ 38	$ 243	$ 122.97	$ 250	$ 126.36
	Bulk reinsurance	77 (1)							
	Net	4,432							
	Third quarter	3,650	207	176	31	209	107.15	218	113.58
	Bulk reinsurance	(6,356) (1)							
	Net	(2,706)							
	Second quarter	2,819	180	157	23	135	109.48	N/A	N/A
	First quarter	2,985	158	153	5	125	101.10	N/A	N/A
2002	Fourth quarter	$ 2,807	$ 165	$ 148	$ 17	$ 121	$ 98.70	N/A	N/A
	Third quarter	2,920	141	157	(16)	120	98.51	N/A	N/A
	Second quarter	2,214	150	154	(4)	113	92.21	N/A	N/A
	First quarter	2,825	152	149	3	107	87.55	N/A	N/A

(1) (a) During the third quarter of 2003, as part of a risk rebalancing program related to the acquisition of Canada Life Financial Corporation (CLFC), a number of bulk reinsurance ceded contracts were executed by The Great-West Life Assurance Company (Great-West) with third parties. Premiums related to the initial cession of in force policy business were $2,716 million.
(b) During the third quarter of 2003, a reinsurance agreement was executed between CLFC and Great-West Life & Annuity Insurance Company (GWL&A) whereby GWL&A reinsured 80% of the individual and group policy liabilities of CLFC's US branch. Premiums related to the initial cession of this business were $3,640 million.
(c) Fourth quarter activity reflects in-quarter change of $77 million in US $ translation rates.

(2) Net (undistributed) income for participating policyholder represents the in-year earnings for the account(s) after dividend distributions.

(3) 2003 - Restructuring costs after-tax related to the acquisition of CLFC.

		Restructuring costs	Per common share
2003	Fourth quarter	$ 7	$ 3.39
	Third quarter	9	6.43

Overview – 12 Months Ended December 31, 2003

In 2003, Great-West continued its record growth with the acquisition of CLFC. As a result of this transaction, the Company will emerge from the final stage of industry consolidation with a pre-eminent position in the Canadian life insurance industry and an expanded presence in Europe. Earnings increased and the return on shareholder equity was very strong. The quality of the Company's invested assets remained high. While as a result of the acquisition the major rating agencies lowered the rating for Great-West and its subsidiaries a notch, with some on negative watch, the Company and its subsidiaries continue to receive superior ratings on claims paying ability and financial strength.

Net Income

Great-West's net income for the fourth quarter of 2003 was $283 million, compared to $141 million for 2002. Net income attributable to common shareholder, excluding restructuring charges related to the acquisition of CLFC, was $250 million or $126.36 per share, compared to $121 million or $98.70 per share for the fourth quarter of 2002. Net income for participating policyholder before policyholder dividends was $218 million compared to $165 million in 2002. Net income after restructuring costs, attributable to common shareholder for the fourth quarter was $243 million or $122.97 per common share.

For the twelve months ended December 31, 2003, net income was $820 million compared to $475 million for 2002. Net income attributable to common shareholder, excluding restructuring costs related to the acquisition of CLFC, was $728 million or $450.52 per share, compared to $461 million or $376.97 per share for 2002. Net income for participating policyholder before policyholder dividends was $763 million compared to $608 million in 2002. Net income after restructuring costs, attributable to common shareholder was $712 million or $440.70 per common share. The results for CLFC are included from July 10, 2003.

The return on common shareholder equity, excluding restructuring costs, was 15.5% for the twelve months ended December 31, 2003 and 24.0% in 2002.

Net income in 2003 reflected favourable mortality and individual morbidity experience, improved healthcare costs and effective expense management.

Net Income – Common Shareholder *(in $ millions)*

Years ended December 31	2003	2002
Net income before restructuring costs	$ 728	$ 461
Restructuring costs	16	–
Net income common shareholder	$ 712	$ 461
Earnings per common share (after restructuring costs)	$ 440.70	$ 376.97
Average # of shares outstanding	1,616,057	1,222,936

Financial Position

Total Assets under Administration

Total assets under administration increased 112% or $115.6 billion in 2003, made up of increases in general fund assets of $34.7 billion and segregated funds assets of $26.4 billion.

The acquisition of CLFC added $53.2 billion of assets under administration, made up of $23.8 billion of segregated funds assets, and $29.4 billion of general fund assets in 2003. Excluding CLFC, assets under administration increased $7.8 billion or 14% year over year.

Asset Quality

At December 31, 2003, exposure to mortgage loans and real estate was 24% of invested assets, a decrease of 5% from December 31, 2002.

The Company's exposure to non-investment grade bonds was $708 million or 2.0% of the portfolio at December 31, 2003, compared with $367 million or 2.2% of the portfolio at December 31, 2002.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $204 million or 0.38% of portfolio investments at December 31, 2003, compared with $93 million or 0.35% at December 31, 2002. The Company's allowance for credit losses at December 31, 2003, for non-performing assets and non-investment grade bonds, was $123 million ($78 million at year-end 2002).

Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $771 million at December 31, 2003 ($406 million at December 31, 2002).

The combination of the allowance for credit losses of $123 million, together with the $771 million provision for future credit losses in actuarial liabilities represents 1.75% of bond, mortgage and real estate assets at December 31, 2003 (1.91% at December 31, 2002).

Asset Distribution *(in $ millions)*

December 31	2003		2002	
Government bonds	$ 16,241	28%	$ 7,721	26%
Corporate bonds	20,701	36	9,393	33
Mortgages	12,686	22	7,190	25
Stocks	2,665	5	1,414	5
Real estate	1,433	2	1,080	4
Sub-total portfolio investments	53,726		26,798	
Cash & certificates of deposit	1,901	3	533	2
Policy loans	2,194	4	1,494	5
Total invested assets	$ 57,821	100%	$ 28,825	100%

Policy Liabilities

Reference is made to note 7 of Great-West's financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

Commercial Paper and Other Loans

As described in note 8 to the financial statements, the Company has long-term debt outstanding at December 31, 2003 which has a book value of $1,001 million and includes $589 million related to CLFC.

Non-Controlling Interests

Refer to note 9 of the Great-West financial statements.

In addition to participating policyholder undistributed surplus and preferred shareholders of subsidiaries, the Company has a total of $800 million of capital securities/trust units issued in Canada by Great-West Life Capital Trust and Canada Life Capital Trust. The carrying value of units held by external parties was $466 million.

Policyholder and Shareholder Equity

Outstanding Share Data – refer to note 11 of the Great-West financial statements.

2003 Activity

During 2003, the Company paid dividends of $199.70 per common share for a total of $319 million and preferred share dividends of $11 million.

On July 10, 2003, Lifeco completed its acquisition of CLFC, the parent company of Canada Life. Lifeco immediately transferred the common shares of CLFC to its Canadian subsidiary, Great-West. Great-West issued common shares to its parent on transfer of CLFC for $4.9 billion. Canada Life participating policyholder surplus of $43 million, as at date of acquisition, has been included in the total participating policyholder surplus account.

On December 31, 2003, Canada Life sold two U.S. subsidiaries to GWL&A – refer to note 13 of the Great-West financial statements. As a result of this related party transaction, the Company recorded $55 million in contributed shareholder surplus and $5 million in contributed participating policyholder surplus.

The change in the US $ translation resulted in decreases to the provision for unrealized gain(loss) in translation of net investment in self-sustaining foreign operations by $(78) million since December 31, 2002: $(68) million in the shareholder account, and $(10) million in the participating account.

These activities, coupled with strong earnings from operations, resulted in total policyholder and shareholder equity of $8.9 billion at December 31, 2003, an increase of $5.4 billion since December 31, 2002.

Transactions with Related Parties

Refer to note 13 of the Company's 2003 Consolidated financial statements.

Financial Strength

The Office of the Superintendent of Financial Institutions Canada (OSFI) has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's ratio of available capital to MCCSR at the end of 2003 was 190% (223% at the end of 2002). London Life's MCCSR ratio at the end of 2003 was 252% (228% at the end of 2002). Canada Life's MCCSR at the end of 2003 was 204%.

Credit Ratings

On July 10, 2003, Lifeco announced that it had closed its transaction to acquire the common shares of CLFC. As a result of the transaction closing, the rating agencies have changed the ratings of the Company and certain of its subsidiaries, as follows:

- The financial strength ratings of Great-West and London Life have been lowered by one rating notch by Standard & Poor's, Moody's Investors Service and A.M. Best Company.
- Two of the rating agencies, Standard & Poor's and Moody's Investors Service, have assigned a negative outlook to the ratings.

The announcement also affected certain of the ratings for Canada Life and its subsidiaries, as follows:

- The Canada Life financial strength ratings were affirmed by A.M. Best, Dominion Bond Rating Services, Moody's and Standard & Poor's, with the Moody's and Standard & Poor's ratings being assigned a negative outlook.
- The financial strength ratings assigned by A.M. Best to Canada Life International Re was lowered by one notch to A to conform to the rating assigned by A.M. Best to the existing reinsurance operations of Great-West.
- The Canada Life financial strength rating assigned by Fitch Ratings was raised to AA+ from AA-.
- The Canada Life subordinated debt ratings were affirmed by Standard & Poor's and raised one notch to AA (low) by Dominion Bond Rating Services.

The financial strength ratings of Great-West and its operating subsidiaries, including Canada Life, remain very strong.

Rating Agency	Measurement	Ratings		
		Great-West	London Life	Canada Life
A.M. Best Company	Financial Strength	A+	A+	A+
Dominion Bond Rating Service	Claims Paying Ability	IC-1	IC-1	IC-1
	Subordinated Debt			AA (low)
Fitch Ratings	Insurer Financial Strength	AA+	AA+	AA+
Moody's Investors Service*	Insurance Financial Strength	Aa3	Aa3	Aa3
Standard & Poor's	Insurer Financial Strength	AA	AA	AA
Rating Service*	Subordinated Debt			A+

* *Ratings are on negative outlook*

Cash Flows

December 31 *(in $ millions)*	2003	2002
Cash flows relating to the following activities:		
Operations	$ 1,225	$ 1,444
Financing	(350)	(382)
Investment	493	(882)
Increase in cash & certificates of deposit	1,368	180
Cash & certificates of deposit, beginning of year	533	353
Cash & certificates of deposit, end of year	$ 1,901	$ 533

The net cash flows from operations and from financing were essentially offset by the acquisition of CLFC on July 10, 2003.

The increase in cash flows from operations for the twelve month period is mainly attributable to the inclusion of CLFC results. Financing costs reflect in year dividends, and investment activities were dominated by the components of the CLFC acquisition.

Risk Management and Control Practices

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for future policyholder obligations.

The significant risks and related monitoring and control practices of Great-West's operating companies are:

Claims Risk – Many products provide benefits in the event of death or disabling conditions or provide for medical or dental costs. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the insurance and reinsurance markets where the Company is active. Effective underwriting policies control the selection of risks insured for consistency with claims expectations. Underwriting limits control the amount of risk exposure insured in the property and casualty reinsurance operations.

Persistency (Policy Termination) Risk – Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for certain long-term level premium products where costs increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this persistency risk.

Investment Related Risk – Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between pricing, valuation and investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer term cash flows and pricing guarantees carry more risk. Both pricing and valuation react to this risk by requiring higher margins where there is less yield certainty. The pricing and valuation of death benefit, maturity value and income guarantees associated with variable contracts employs stochastic modeling of future investment returns.

Reinsurance Risk – Products with mortality and morbidity risks have specific limits of Company retention approved by the Boards of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. The Company also takes advantage of financial risk transfer through reinsurance to enhance returns on capital. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing monitoring process.

For additional information on these risks, refer to note 7(d), 7(e) and 7(f) of the Great-West financial statements.

Risks Associated with Invested Assets

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment Committees of the Boards of Directors annually approve Investment and Lending Policies, as well as Investment Procedures and Guidelines. A comprehensive report on compliance with these policies, procedures and guidelines is presented to the Boards of Directors or Investment Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant risks associated with invested assets that the operating companies manage, monitor and control are outlined below.

Interest Rate Risk – Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for speculative purposes. Derivative products are traded with counterparties approved by the Boards of Directors or the Investment Committees of the Boards of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Credit Risk – It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators.

Liquidity Risk – The Company closely manages operating liquidity through cash flow matching of assets and liabilities and has approximately $35 billion in highly marketable securities.

Foreign Exchange Risk – Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks – The Company has established specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Derivative Instruments – The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which:
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and related exposures are described in note 15 of Great-West's financial statements.

Risks Associated with Business Operations

All business areas have appropriate training, development and internal control requirements for their needs. These are continuously monitored and refined to minimize the risk of losses arising from people, processes or systems. Human Resources policies support those requirements. The Company is committed to the maintenance of appropriate business continuity and disaster recovery plans.

The Company monitors regulatory compliance in all jurisdictions where it conducts business.

Changes in Accounting Policies

As disclosed in note 1(d) of the Company's Consolidated Financial Statements, in March 2003, the CICA issued Emerging Issue Committee (EIC) Abstract EIC-135 Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring) for restructurings initiated after March 31, 2003. The standard replaces EIC-60 Liability Recognition for Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring) and requires recognition of integration and restructuring costs in income when they are incurred.

See note 3 for the impact of this abstract on the financial statements of the Company.

Summary of Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in Canada (GAAP) requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. The major critical accounting policies and related judgements underlying the Company's financial statements are summarized below. In applying these policies, management makes subjective and complex judgements that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the insurance and other financial services industries; others are specific to the Company's businesses and operations.

(The Company's general policies are described in detail in note 2 of the Consolidated Financial Statements.)

Actuarial Liabilities – Actuarial liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with the Company. The Appointed Actuaries of the Company's subsidiary companies are responsible for determining the amount of the actuarial liabilities to make appropriate provision for the Company's obligations to policyholders. The Appointed Actuaries determine the actuarial liabilities using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgement.

(Additional details regarding these adjustments and estimations can be found in note 7 of the Consolidated Financial Statements.)

Income Taxes – The Company has substantial future income tax assets. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the asset recorded is based on management's best estimate of the timing of the reversal of the asset.

Employee Future Benefits – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for accrued benefit obligations.

(These estimates are discussed in note 12 of the Consolidated Financial Statements.)

Future Accounting Policies

During 2003, Section 3870, Stock-Based Compensation and Other Stock-Based Payments, was amended to require expense treatment of all stock-based compensation and payments at grant date, effective January 1, 2004. During 2003, Accounting Guideline 13, Hedging Relationships, effective for January 1, 2004, establishes the criteria that must be met in order to apply hedge accounting for derivatives. Changes in the fair value of derivatives that do not qualify for hedge accounting will be recorded in the Consolidated Statements of Net Income. These changes are not expected to have a material impact on the financial statements of the Company.

Outlook

With the acquisition of CLFC, management believes Great-West and its subsidiaries are well positioned for long-term earnings growth. The Company's subsidiaries remain tightly focused on their core markets and have plans in place to capitalize on the consolidation of CLFC with Great-West. In Canada, the Company's extensive distribution network and lower cost structure continues to position it to capitalize on developments in the marketplace. The Company's Europe/Reinsurance operations represent a strong diversified platform for growth, with expanded products and services offering an increased market presence.

2003 OPERATING RESULTS

FINANCIAL INFORMATION
CONSOLIDATED OPERATIONS *(in $ millions)*

	2003			2002		
	Shareholder	Participating	Total	Shareholder	Participating	Total
Years ended December 31						
Income:						
Premium income *(1)*	$ 8,219	$ 1,718	$ 9,937	$ 6,821	$ 1,377	$ 8,198
Bulk reinsurance – initial ceded premiums *(2)*	(5,282)	(997)	(6,279)	–	–	–
	2,937	721	3,658	6,821	1,377	8,198
Net investment income	1,989	1,223	3,212	1,239	909	2,148
Fee and other income	660	–	660	420	–	420
Total income	5,586	1,944	7,530	8,480	2,286	10,766
Benefits and Expenses:						
Paid or credited to policyholders *(2)*	3,163	1,404	4,567	6,984	1,994	8,978
Other	1,472	326	1,798	838	256	1,094
Restructuring costs	26	–	26	–	–	–
Amortization of finite life intangible assets	7	–	7	–	–	–
Distribution on Capital Trust Securities	28	–	28	1	–	1
Net operating income before income taxes	890	214	1,104	657	36	693
Income taxes	153	117	270	160	36	196
Net income before non-controlling interests	737	97	834	497	–	497
Non-controlling interests	14	–	14	22	–	22
Net income	$ 723	$ 97	$ 820	$ 475	$ –	$ 475

	Shareholder	Participating	Total	Shareholder	Participating	Total
Summary of Net Income						
Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ 763	$ 763	$ –	$ 608	$ 608
Policyholder dividends	–	666	666	–	608	608
Net income – participating policyholder	–	97	97	–	–	–
Attributable to shareholder						
Preferred shareholder dividends	11	–	11	14	–	14
Net income – common shareholder	712	–	712	461	–	461
	723	–	723	475	–	475
Net income	$ 723	$ 97	$ 820	$ 475	$ –	$ 475
(1) excludes – segregated funds deposits	$ 4,576	$ –	$ 4,576	$ 2,812	$ –	$ 2,812
– self-funded premium equivalents (ASO)	$ 1,675	$ –	$ 1,675	$ 1,355	$ –	$ 1,355

(2) (i) During 2003, as part of a risk rebalancing program related to the acquisition of CLFC, a number of bulk reinsurance ceded contracts were executed by Great-West with third parties on a funds withheld basis. Premiums related to the initial cession of in force business were $2,716 million.

(ii) During 2003, a reinsurance agreement was executed between CLFC and GWL&A whereby GWL&A reinsured 80% of the individual and group policy liabilities of CLFC's U.S. branch. Premiums related to the initial cession of this business were $3,563 million.

Reference is made to note 20 of the Great-West financial statements, Segmented Information.

Net Income

Net income attributable to common shareholder before restructuring costs for the fourth quarter of 2003 increased 107% to $250 million from $121 million a year ago. Net income for participating policyholder before policyholder dividends was $218 million compared to $165 million in 2002. Net income after restructuring costs, attributable to common shareholder for the fourth quarter was $243 million or $122.97 per common share.

For the twelve months ended December 31, 2003, earnings before restructuring costs were up 58% to $728 million, compared to $461 million at December 31, 2002. Net income for participating policyholder before policyholder dividends was $763 million compared to $608 million in 2002. Net income after restructuring costs, attributable to common shareholder was $712 million or $440.70 per common share. The results for CLFC are included from July 10, 2003.

Net Income By Segment *(in $ millions)*
Years ended December 31

	2003	2002	% Change
Attributable to Participating Policyholder			
Net income before policyholder dividends	$ 763	$ 608	25%
Policyholder dividends	666	608	10%
Total	$ 97	$ –	–
Attributable to Shareholder			
Preferred shareholder dividend	$ 11	$ 14	-21%
Common shareholder			
Group Insurance	$ 194	$ 125	55%
Individual Insurance & Investment Products	308	212	45%
Europe/Reinsurance	148	29	–
Corporate	78	95	-18%
Sub-total	728	461	58%
Restructuring costs	16	–	–
Total common shareholder	$ 712	$ 461	54%
Total net income	$ 820	$ 475	73%

The increases were due to both strong operating earnings for Great-West and London Life, as well as the inclusion of Canada/Europe results for CLFC from date of acquisition, which represents earnings of approximately $124 million, net of related financing costs.

In terms of major business units, in addition to the inclusion of the Canada/Europe earnings of CLFC, the twelve months ended December 31, 2003 reflect the following:

Participating Policyholder

Net income attributable to participating policyholder before policyholder dividends was $763 million compared with $608 million. 2003 results were influenced by favourable mortality and improved equity investment returns. Policyholder dividends were 10% higher in 2003 than 2002, resulting in a net undistributed income result for the participating account of $97 million compared with zero last year.

Common Shareholder

Group Insurance – The increase reflects favourable mortality in all product lines and improved healthcare costs, mitigated somewhat by long-term disability experience – refer to page 28.

Individual Insurance & Investment Products – The increase is essentially attributable to favourable mortality and morbidity, together with effective expense management – refer to page 31.

Europe/Reinsurance – Prior to the acquisition of CLFC, this business unit was named Reinsurance & Specialty and was comprised of LRG and London Guarantee Insurance Company (London Guarantee) – refer to page 36.

Corporate – The change is essentially due to the inclusion of the U.S. Branch of Canada Life and the gain on sale of Lifestyle Retirement Communities, somewhat offset by restructuring costs and prior year tax credits – refer to page 40.

Bulk Reinsurance

(a) The Group Insurance and Individual Insurance business units of Great-West and London Life entered into a bulk reinsurance agreement during the third quarter with a third-party reinsurer to cede a portion of direct written individual life and group life and health business. This agreement was effective July 1, 2003 and initial premiums related to the initial cession of in force business were $2,716 million.

(b) During the third quarter of 2003, a reinsurance agreement was executed between CLFC and GWL&A, a related party, whereby GWL&A reinsured 80% of the individual and group policy liabilities of CLFC's US branch. Premiums related to the initial cession of this business were $3,563 million. Invested assets of approximately $1.8 billion were transferred to GWL&A for the coinsurance arrangement and a liability of approximately $1.8 billion established as part of funds held under reinsurance contracts was established for the invested assets the Company continues to hold under the modified coinsurance arrangements.

Bulk Reinsurance *(in $ millions)*

	Shareholder			Participating	
	Group Insurance	Corporate	Total	Total	Total Company
Premium income					
(a)	$ (2,716)	$ –	$ (2,716)	$ –	$ (2,716)
(b)	–	(2,566)	(2,566)	(997)	(3,563)
Total	(2,716)	(2,566)	(5,282)	(997)	(6,279)
Paid or credited to policyholders					
(a)	(2,716)	–	(2,716)	–	(2,716)
(b)	–	(2,566)	(2,566)	(997)	(3,563)
Total	(2,716)	(2,566)	(5,282)	(997)	(6,279)
Net Income	$ –	$ –	$ –	$ –	$ –

Premiums and Deposits

Total premiums and deposits for 2003, before the deduction of initial ceded premiums related to bulk reinsurance of a block of in-force liabilities, increased $3.8 billion, compared to the same period in 2002.

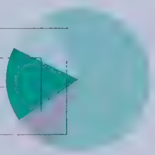
CLFC premiums and deposits were $4,347 million in total: $2,270 million of risk-based product premiums, $195 million of self-funded premium equivalents, and $1,882 million of segregated funds deposits. Excluding the impact of CLFC, risk-based product premiums were slightly lower than 2002 levels, due mainly to reduced reinsurance premiums for both property and casualty and life insurance lines of business.

Risk-based products **62%** (66%)

ASO contracts **10%** (11%)

Segregated funds deposits – Individual products **17%** (14%)

Segregated funds deposits – Group products **11%** (9%)



2002 figures are shown in brackets

Total sales for 2003 were up 21% overall from 2002 levels. However, CLFC sales included in 2003 were $3,724 million in total: $39 million Individual Insurance, $8 million Group Insurance, $404 million Retirement & Investment Services and $3,273 million Europe/Reinsurance. Excluding CLFC, the reduction in sales from 2002 levels was essentially the impact of weaker equity markets in the first six months of 2003 reflected in retirement product sales as well as lower sales of reinsurance products in 2003.

Premiums and Deposits

Years ended December 31 *(in $ millions)*	Premiums and Deposits			Sales (1)		
	2003	2002	% Change	2003	2002	% Change
Business/Product						
Group Insurance						
Small/mid-sized case	$ 1,395	$ 1,201	16%	$ 200	$ 185	8%
Large case	2,708	2,374	14%	123	134	-8%
Individual Insurance						
Life Insurance – Participating	1,597	1,377	16%	80	67	19%
– Non-participating	345	261	32%	60	41	46%
Living Benefits	153	127	20%	34	24	42%
Retirement & Investment Services						
Individual products	1,777	1,771	–	2,393	2,382	–
Group products	2,079	1,315	58%	825	610	35%
Europe/Reinsurance						
– Participating	84	–	–	–	–	–
– Non-participating	5,732	3,922	46%	5,185	3,922	32%
Corporate (U.S. Branch)						
– Participating	37	–	–	–	–	–
– Non-participating	281	17	–	–	–	–
Total premiums and deposits	$ 16,188	$ 12,365	31%	$ 8,900	$ 7,365	21%
Bulk reinsurance – initial ceded premiums	(6,279)	–	–			
Net premiums and deposits	$ 9,909	$ 12,365	-20%			
Summary by Type						
Risk-based products	$ 5,261	$ 4,276	23%			
International and reinsurance	4,676	3,922	19%			
Total risk-based products	9,937	8,198	21%			
ASO contracts	1,675	1,355	24%			
Segregated funds deposits:						
– Individual products	2,768	1,649	68%			
– Group products	1,808	1,163	55%			
Total premiums and deposits	$ 16,188	$ 12,365	31%			
Bulk reinsurance – initial ceded premiums	(6,279)	–	–			
Net premiums and deposits	$ 9,909	$ 12,365	-20%			

(1) *Excludes Quadrus distributed mutual funds sales.*

Net Investment Income *(in $ millions)*

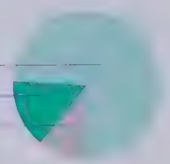
Years ended December 31	2003	2002	% Change
Investment income	$ 3,004	$ 2,026	48%
Amortization of gains and losses	276	179	54%
Provision for credit losses	(9)	(42)	–
Gross investment income	3,271	2,163	51%
Less: Investment expenses	59	15	–
Net investment income	$ 3,212	$ 2,148	50%

Net investment income for 2003, increased $1,064 million or 50% compared to 2002, of which $886 million of the increase relates to CLFC. Other items contributing to the increase in investment income include a gain on the sale of Lifestyle Retirement Communities, improved equity markets, and favourable credit loss experience.

Fee Income *(in $ millions)*

Years ended December 31	2003	2002	% Change
Segregated funds	$ 488	$ 318	53%
ASO contracts	98	69	42%
Other	74	33	–
	$ 660	$ 420	57%

Segregated funds **74%** (76%)
ASO contracts **15%** (16%)
Other **11%** (8%)



2002 figures are shown in brackets

Fee income is derived from the management of segregated funds assets and the provision of Group health ASO business. The increase in fee income in 2003 of 57% compared to 2002, includes $213 million related to CLFC and increases in all fee accounts.

Paid or Credited to Policyholders

This amount includes increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for risk-based products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds). The initial ceded premiums of $6.3 billion associated with the bulk reinsurance transaction have been recorded in the Summary of Consolidated Operations as a reduction of premium income and a corresponding reduction of paid or credited to policyholders.

In aggregate, $10.8 billion was paid or credited to policyholders, before the reduction related to the bulk reinsurance transaction, including benefits paid or credited to CLFC policyholders.

Income Taxes

Income taxes for 2003 were $270 million compared to $196 million for 2002. Of the increase, $59 million is related to CLFC in 2003, as well as increased net income.

Other

Included in other benefits and expenses are operating expenses, commission payments, as well as premium taxes.

Other *(in $ millions)*

Years ended December 31	2003	2002	% Change
Total expenses	$ 1,082	$ 622	74%
Less: Investment expenses	59	15	–
Operating expenses	1,023	607	69%
Commissions	663	427	55%
Premium taxes	112	60	87%
Total	$ 1,798	$ 1,094	64%

Operating expenses for 2003 increased $416 million compared to 2002. The inclusion of CLFC increased expenses by $383 million in 2003. Commission payments increased $236 million, including $214 million related to CLFC. Premium taxes increased by $52 million, including $34 million related to CLFC.

Consolidated Balance Sheet *(in $ millions)*

December 31	2003			2002		
	Shareholder	Participating	Total	Shareholder	Participating	Total
Assets						
Invested assets	$ 36,217	$ 21,604	$ 57,821	$ 14,851	$ 13,974	$ 28,825
Goodwill and intangible assets	6,582	–	6,582	1,597	–	1,597
Other general fund assets	5,592	740	6,332	5,217	415	5,632
Total general fund assets	$ 48,391	$ 22,344	$ 70,735	$ 21,665	$ 14,389	$ 36,054
Segregated funds assets			44,874			18,504
Total assets under administration			$ 115,609			$ 54,558
Liabilities, Policyholder & Shareholder Equity						
Policy liabilities	$ 30,855	$ 18,677	$ 49,532	$ 16,283	$ 12,606	$ 28,889
Net deferred gains on portfolio investments sold	1,291	807	2,098	427	387	814
Other general fund liabilities	7,874	1,480	9,354	2,141	150	2,291
Total liabilities	40,020	20,964	60,984	18,851	13,143	31,994
Non-controlling interests	827	–	827	552	–	552
Capital stock and surplus	7,544	1,380	8,924	2,262	1,246	3,508
Total general fund liabilities, policyholder & shareholder equity	$ 48,391	$ 22,344	$ 70,735	$ 21,665	$ 14,389	$ 36,054

Assets

Assets Under Administration *(in $ millions)*
December 31

	2003	2002
Invested assets	$ 57,821	$ 28,825
Goodwill and intangible assets	6,582	1,597
Other general fund assets	6,332	5,632
Total assets	70,735	36,054
Segregated funds assets	44,874	18,504
Total assets under administration	$ 115,609	$ 54,558

Total assets under administration at December 31, 2003 were $115.6 billion, an increase of $61.1 billion from December 31, 2002. General fund assets increased by $34.7 billion and segregated funds assets increased by $26.4 billion compared with December 31, 2002.

The inclusion of CLFC at December 31, 2003 added $53.2 billion of assets under administration: $29.4 billion of general fund assets and $23.8 billion of segregated funds assets.

Invested Assets

The Investment Division manages the general fund assets of Great-West, London Life and Canada Life which support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. Great-West, London Life and Canada Life follow prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks.

The Investment Division implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Invested assets at December 31, 2003 were $57.8 billion, compared to $28.8 billion at December 31, 2002. The increase of $29.0 billion is primarily due to the CLFC acquisition.

Asset Distribution *(in $ millions)*
December 31

	2003		2002	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Government bonds	$ 16,241	$ 16,484	$ 7,721	$ 8,128
Corporate bonds	20,701	21,426	9,393	9,826
Mortgages	12,686	13,241	7,190	7,668
Stocks	2,665	2,895	1,414	1,423
Real estate	1,433	1,587	1,080	1,269
Sub-total portfolio investments	53,726	55,633	26,798	28,314
Cash & certificates of deposit	1,901	1,901	533	533
Policy loans	2,194	2,194	1,494	1,494
Total invested assets	$ 57,821	$ 59,728	$ 28,825	$ 30,341

Bond Portfolio

The total bond portfolio increased to $36.9 billion or 64% of invested assets at December 31, 2003, from $17.1 billion or 59% of invested assets at December 31, 2002. Federal, provincial and other government securities represented 44% of the bond portfolio, unchanged from 2002. The increase in bonds was primarily due to the CLFC acquisition. The overall quality of the bond portfolio remained high, with 98% of the portfolio rated investment grade and 84% rated A or higher. The excess of fair value over carrying value at December 31, 2003 was $968 million ($840 million for 2002).

Bond Portfolio Quality *(excludes $1,600 million short-term investments, $706 million in 2002) (in $ millions)*

December 31	2003		2002	
Estimated Rating				
AAA	$ 14,122	40%	$ 6,599	40%
AA	5,557	16	2,445	15
A	10,044	28	5,183	32
BBB	4,911	14	1,814	11
BB or lower	708	2	367	2
Total	$ 35,342	100%	$ 16,408	100%

Mortgage Portfolio

The total mortgage portfolio increased to $12.7 billion or 22% of invested assets in 2003, compared to $7.2 billion or 25% of invested assets in 2002. The mortgage portfolio consisted of 50% commercial loans, 36% multi-family loans and 14% single family residential loans. Total insured loans were $4.0 billion or 31% of the mortgage portfolio. The increase in mortgages was primarily due to the CLFC acquisition. It is the Company's practice to acquire only high quality commercial loans meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk rating system, which it uses in its underwriting and credit monitoring processes for commercial mortgages. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region. The excess of fair value over carrying value at December 31, 2003 was $555 million ($478 million for 2002).

Equity Portfolio

The Company's total equity portfolio was $4.1 billion at December 31, 2003 or 7% of invested assets, compared to $2.5 billion or 9% of invested assets a year ago. The equity portfolio consists primarily of high quality publicly traded stocks and institutional-grade income producing real estate located in major economic centers. The increase was primarily due to the CLFC acquisition, which was offset by the sale of approximately $686 million of the Company's real estate portfolio.

Asset Quality

With the inclusion of CLFC at December 31, 2003, non-investment grade bonds were $708 million or 2.0% of the bond portfolio at December 31, 2003, compared with $367 million or 2.2% of the bond portfolio at December 31, 2002.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totaled $204 million or 0.38% of portfolio investments at December 31, 2003, compared with $93 million or 0.35% at December 31, 2002.

The Company's allowance for credit losses at December 31, 2003, for non-performing assets and non-investment grade bonds, was $123 million, compared with $78 million at year-end 2002. Additional provisions for future credit losses on assets backing liabilities are included in actuarial liabilities and amount to $771 million at December 31, 2003 ($406 million at December 31, 2002).

Non-Performing Loans *(in $ millions)*

December 31	2003			2002		
Asset Class	Bonds	Mortgages	Total	Bonds	Mortgages	Total
Non-performing loans	$ 200	$ 4	$ 204	$ 86	$ 7	$ 93

Allowances for Credit Losses *(in $ millions)*

December 31	2003			2002		
	Specific Provisions	General Provisions	Total	Specific Provisions	General Provisions	Total
Bonds and mortgage loans	$ 110	$ 13	$ 123	$ 60	$ 18	$ 78

Fair Value

The fair value of invested assets exceeded their carrying value by $1.9 billion as at December 31, 2003, compared to $1.5 billion in 2002. Total fair value grew to $59.7 billion from $30.3 billion in 2002. The change in the excess of fair value compared to carrying value year over year reflects the increase in assets, as well as the impact of lower interest rates and stronger equity markets. Changes in the fair value of assets supporting the actuarial and other liabilities of the Company's operating funds generally will not result in a corresponding change in net income due to corresponding changes in the fair value of actuarial and other liabilities that are matched with those assets. However, the excess of fair value over carrying value, as well as the net deferred realized gains, on assets supporting shareholder equity and subordinated debentures will in time be amortized to net income.

Other General Fund Assets *(in $ millions)*

December 31	2003	2002
Funds withheld by ceding insurers	$ 4,142	$ 4,786
Other assets	2,190	846
Total other general fund assets	$ 6,332	$ 5,632

Funds withheld by ceding insurers decreased $644 million. The decrease reflects the nature of reinsurance contracts written and results in a related decrease in policy liabilities.

Other assets, at $2.2 billion, are comprised of several items including premiums in course of collection, interest due and accrued, fixed assets, prepaid amounts, and accounts receivable, and includes $1.4 billion related to CLFC.

Segregated Funds

The Investment Division and the Company's investment subsidiaries – GWL Investment Management Ltd., London Life Investment Management Ltd., GWL Realty Advisors Inc., Laketon Investment Management Ltd., and Setanta Investment Management PLC – are the investment managers for the Company's segregated funds.

Segregated funds under management, which are measured at market values, increased by $26.4 billion to $44.9 billion at December 31, 2003. The addition of the Canada Life portfolios at acquisition, added $22 billion to the Company's segregated funds assets. The balance of the growth resulted from net deposits of $624 million, as well as market value gains of $3.6 billion.

Segregated Funds Assets *(in $ millions)*

December 31	2003	2002	2001	2000	1999
Stocks	$ 30,872	$ 10,521	$ 11,414	$ 11,238	$ 9,025
Bonds	7,731	4,132	4,065	4,249	4,024
Mortgages	1,466	1,349	1,150	1,070	1,128
Real estate	3,119	2,022	1,767	1,383	1,119
Cash and other	1,686	480	697	742	434
Total	$ 44,874	$ 18,504	$ 19,093	$ 18,682	$ 15,730
Internally-managed	30,160	13,195	14,480	14,382	12,397
Externally-managed	14,714	5,309	4,613	4,300	3,333
Year over year growth	143%	-3%	2%	19%	–

Outlook – Investment

The Company's investment portfolio is broadly diversified and encompasses strategies to generate appropriate asset mixes and returns relative to the terms and characteristics of the Company's liabilities. The majority of the investment program for the general funds will continue to be in medium to long-term fixed income instruments, primarily bonds and mortgages. Investments in equity markets and other asset classes will continue to be reviewed as risk-adjusted market opportunities arise.

In addition to managing the general funds of the Company, the Investment Division and its investment subsidiaries remain closely aligned with the Company's segregated funds and third-party asset management lines of business and will continue to develop its infrastructure to deliver superior service to clients.

Liabilities

Liabilities *(in $ millions)*

December 31	2003	2002
Policy liabilities	$ 49,532	$ 28,889
Net deferred gains on portfolio investments sold	2,098	814
Other general fund liabilities	9,354	2,291
Total liabilities	$ 60,984	$ 31,994

Total liabilities at December 31, 2003 were $61.0 billion, an increase of 90% from December 31, 2002, including CLFC liabilities of $29.0 billion.

Policy Liabilities

Policy liabilities increased $20.6 billion, made up mainly of CLFC policy liabilities of $24.3 billion and a reduction of approximately $4.6 billion related to bulk reinsurance.

Other General Fund Liabilities *(in $ millions)*

December 31	2003	2002
Current income taxes	$ 589	$ 452
Commercial paper and other loans	1,030	583
Funds held under reinsurance contracts	4,592	–
Other liabilities	3,143	1,256
Total other general fund liabilities	$ 9,354	$ 2,291

Total other general fund liabilities at December 31, 2003 were $9.4 billion, an increase of $7.1 billion from December 31, 2002. The increase in commercial paper and other loans of $447 million includes $589 million on CLFC acquisition and partially offset by repayments. Other liabilities, at $3.1 billion, which increased $1.9 billion from December 31, 2002, includes $1.4 billion of CLFC liabilities. Other liabilities include accruals, temporary transaction related liabilities, as well as provisions for retirement benefits other than pensions.

Liquidity

The Company uses a number of techniques to manage liquidity in the general fund. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets is held in highly marketable securities that can be sold to meet any unanticipated cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $35 billion provide high levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

Liquid Assets *(in $ millions)*

December 31	2003		2002	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & certificates of deposit	$ 1,856	$ 1,856	$ 533	$ 533
Highly marketable securities				
Government bonds	16,026	16,266	7,493	7,881
Corporate bonds	14,157	14,748	5,931	6,061
Common/Preferred shares	2,320	2,550	1,226	1,235
Residential mortgages (insured)	905	916	1,045	1,069
Total	$ 35,264	$ 36,336	$ 16,228	$ 16,779

Cashable Liability Characteristics *(in $ millions)*

December 31	2003	2002
Surrenderable insurance and annuity liabilities		
At market value	$ 5,603	$ 2,638
At book value	18,284	11,871
Total	$ 23,887	$ 14,509

BUSINESS SEGMENTS

Group Insurance

With the acquisition of CLFC, the Company's Group Insurance Division became a leading provider of group life and health insurance products in Canada, with a market share position of over 24%. The division offers a wide range of group protection products and related services as noted below.

Market Position	Product and Services	Distribution
• Employee benefits for more than 34,000 plan sponsors • 24.7% market share for Employee/Employer plans	**Life and Health** • Life • Disability • Critical illness • Accidental death & dismemberment • Dental plans • Expatriate coverage • Extended healthcare plans **Creditor** • Creditor life • Creditor disability • Creditor job loss • Creditor critical illness	• 125 account managers and sales staff located in 15 Group Offices • 107 Regional Employee Benefits Managers and Selectpac Specialists located in Resource Centres

Highlights

- Shareholder net income increased to $194 million, up 55% over 2002.
- Premiums, premium equivalents and new deposits increased by $528 million from 2002 levels, to $4,103 million.
- Sales increased to $323 million, up 1% over 2002.

Net income attributable to common shareholder increased 55% in 2003 to $194 million, compared to $125 million in 2002. Excluding the contribution from Canada Life of $28 million, net income increased 33%. The life account mortality results improved significantly as death claim experience was less than expected. These improved results were particularly evident in the small and mid-sized case market. The group life account from the Canada Life group business produced favorable results. The health account results also contributed to the strong year over year gains in net income. In the medical, drug and dental sub-lines, the results improved, particularly in the smaller case market. Within the long-term disability sub-line, the results, although profitable, did deteriorate somewhat from the very buoyant 2002 results, reflecting worse than expected incidence rates. Interest gain results strengthened on a year over year comparative basis as a result of asset growth and interest margin improvements. The expense gain component of earnings also increased as the growth in expense recoveries from premiums exceeded the growth in operating expenses.

Group Insurance – Consolidated Net Income *(in $ millions)*

Years ended December 31	2003	2002
Income:		
Premium income	$ 2,428	$ 2,220
Bulk reinsurance – initial ceded premiums	(2,716)	–
	(288)	2,220
Net investment income	252	205
Fee and other income	95	68
Total income	59	2,493
Benefits and Expenses:		
Paid or credited to policyholders	(799)	1,868
Other	590	426
Restructuring costs	–	–
Distribution on Capital Trust Securities	–	–
Net operating income before income taxes	268	199
Income taxes	74	74
Net income before non-controlling interests	194	125
Non-controlling interests	–	–
Net income	$ 194	$ 125

Summary of Net Income

	2003	2002
Attributable to participating policyholder		
Net income before policyholder dividends	$ –	$ –
Policyholder dividends	–	–
Net income – participating policyholder	–	–
Attributable to shareholder		
Preferred shareholder dividends	–	–
Net income – common shareholder	194	125
	194	125
Net income	$ 194	$ 125

Consolidated Group Insurance results include the Canadian operations of Canada Life from the date of acquisition.

Total premiums and deposits, net of the continuing impact of $0.4 billion associated with the bulk reinsurance agreement, increased 15% to $4.1 billion in 2003. Total premiums and deposits include $0.6 billion of net premium income from Canada Life. Excluding Canada Life and the impact of the bulk reinsurance agreement, premiums and deposits increased 8% over 2002. This growth rate was driven by continued strong persistency, slightly improved sales results, and rate adjustments to account for healthcare inflation.

Persistency levels in the small/mid-sized markets were very strong, offset by some deterioration in the ASO market, where results fluctuate based on market activity and opportunities to acquire new business at sustainable pricing levels. While sales emerging from new clients were up significantly, the sales of benefit plan improvements from existing clients deteriorated reflecting a general industry trend in 2003. Notwithstanding this, sales in the target small and mid-sized case market increased 8% overall.

Group Insurance – Divisional Summary *(in $ millions)*

Years ended December 31	Premiums and Deposits			Sales		
	2003	2002	% Change	2003	2002	% Change
Business/Product						
Small/mid-sized case	$ 1,395	$ 1,201	16%	$ 200	$ 185	8%
Large case – insured	1,033	1,019	1%	52	76	-32%
– ASO	1,675	1,355	24%	71	58	22%
Total	$ 4,103	$ 3,575	15%	$ 323	$ 319	1%

Risk Analysis and Management – The basic risk related to group insurance centers on the insurer's ability to predict claims experience for the coming year. Most risks facing the group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In healthcare products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, a number of factors, including aging and industry characteristics, play a role in future claims patterns. The risks emerging from these factors are managed through pricing and plan designs that emphasize prevention, early intervention and return to work programs.

Outlook – Group Insurance

For those companies that are strongly positioned within the Canadian Group insurance marketplace, the outlook is very positive. Demutualization and consolidation has resulted in price rationalization leading to greater opportunity for profitable growth in all market segments. New technologies have created new opportunities for companies to lower costs while improving their products and services for plan sponsors and plan members. Great-West, with its extensive distribution capability and low cost, is in an excellent position to capitalize on these opportunities. Through the effective application of new technologies, Great-West expects to achieve significant reductions in administration and claims adjudication costs, thereby enhancing its competitive advantage in this important area. As well, these new technologies will allow the Group Division to enhance services to its plan sponsors, plan members and producers by offering them the ability to transact business and obtain benefit plan and health related information through the Internet. As group disability plans continue to gain the attention of plan sponsors, Great-West has developed an array of expanded disability services that will support clients in the management of their plans. Early intervention programs and online disability management information services are available to meet these emerging client needs.

Integration of Canada Life

The acquisition of Canada Life's group insurance business represents a unique opportunity for the Company to gain a significant share in the target small and medium-sized group markets. As well, through the acquisition of Canada Life's group creditor business, the Company has gained a leading position in this market segment. For the newly acquired creditor insurance business, the strategy is to maintain the Canada Life brand and product offerings, while enhancing the value proposition to clients through the introduction of new system technologies to enhance administrative processes. The integration strategy for the non-creditor business is focused on migrating the Great-West and Canada Life customer bases to a common Great-West branded set of products, administered on a single suite of enhanced Great-West systems. These system enhancements will allow Great-West to deliver expanded customer services and lower unit costs. Speed and quality are two critical success factors for the integration. The Division made significant progress in integrating systems and processes in 2003, and in laying the groundwork for conversion of Canada Life business. Great-West is leveraging the combined expertise and experience of the Great-West and Canada Life organizations to complete the integration and conversion by early 2005, and to ensure that quality customer service is maintained throughout this process.

Individual Insurance & Investment Products

Individual Insurance & Investment Products (IIIP) consists of three distinct product divisions: Life Insurance for individuals, Living Benefits for individuals and Retirement & Investment products for both individuals and groups. Products are distributed through Freedom 55 Financial and Great-West financial security advisors, Canada Life distribution partners including managing general agents, independent brokers and intercorporate agreements with other financial institutions.

Market Position	Products and Services: Individual Insurance	Products and Services: Retirement & Investment Services	Distribution
• 24% market share of individual life insurance in force premium • 31% market share of individual living benefits in force premium • 32% market share in individual segregated funds • 34% market share in group segregated funds	**Life Insurance** • Term life • Universal life • Participating life **Living Benefits** • Disability • Critical illness	**Products** • Segregated funds • Retirement savings plans • Non-registered savings programs • Deferred profit sharing plans • Defined contribution pension plans • Payout annuities • Deferred annuities • Investment management services only plans • Retirement income funds • Life income funds **Administrative Services** • Employee stock purchase and options plans • Incentive plans	• 1,095 Great-West financial security advisors • 2,897 Freedom 55 Financial financial security advisors • 2,582 Investors Group consultants • 13,189 independent advisors associated with 73 managing general agents • 2,482 independent brokers and benefit consultants

Highlights

- Shareholder net income increased to $308 million, up 45% over 2002.
- Premiums, premium equivalents and new deposits increased by $1.0 billion from 2002 levels, to $5.9 billion.
- Sales increased 9% to $3.4 billion over 2002.

Individual Insurance & Investment Products – Consolidated Net Income *(in $ millions)*

Years ended December 31	2003			2002		
	Shareholder	Participating	Total	Shareholder	Participating	Total
Income:						
Premium income	$ 1,054	$ 1,597	$ 2,651	$ 662	$ 1,377	$ 2,039
Bulk reinsurance – initial ceded premiums	–	–	–	–	–	–
	1,054	1,597	2,651	662	1,377	2,039
Net investment income	766	1,146	1,912	463	909	1,372
Fee and other income	412	–	412	332	–	332
Total income	2,232	2,743	4,975	1,457	2,286	3,743
Benefits and Expenses:						
Paid or credited to policyholders	1,289	2,220	3,509	741	1,994	2,735
Other	525	303	828	365	256	621
Restructuring costs	–	–	–	–	–	–
Distribution on Capital Trust Securities	–	–	–	–	–	–
Net operating income before income taxes	418	220	638	351	36	387
Income taxes	110	120	230	139	36	175
Net income before non-controlling interests	308	100	408	212	–	212
Non-controlling interests	–	–	–	–	–	–
Net income	$ 308	$ 100	$ 408	$ 212	$ –	$ 212

Summary of Net Income

Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ 775	$ 775	$ –	$ 608	$ 608
Policyholder dividends	–	675	675	–	608	608
Net income – participating policyholder	–	100	100	–	–	–
Attributable to shareholder						
Preferred shareholder dividends	–	–	–	–	–	–
Net income – common shareholder	308	–	308	212	–	212
	308	–	308	212	–	212
Net income	$ 308	$ 100	$ 408	$ 212	$ –	$ 212

Consolidated IIIP results include the Canadian operations of Canada Life from the date of acquisition.

Net income attributable to common shareholder increased 45% to $308 million from 2002 results. The CLFC acquisition contributed $68 million to these earnings in 2003. The other key drivers of earnings growth included effective expense management, favourable mortality experience and favourable morbidity experience. Retirement & Investment Services (RIS) assets under administration doubled in 2003, due to strong market growth and the addition of Canada Life assets.

Participating policyholder dividends were $675 million in 2003 compared to $608 million in 2002. The Canada Life acquisition contributed $54 million to dividends paid.

Individual Insurance – Divisional Summary *(in $ millions)*

Years ended	Individual Life							
	Participating		Non-Participating		Living Benefits		Total	
December 31, 2003								
Sales premium	$	80	$	60	$	34	$	174
Revenue premium income		1,597		345		153		2,095
December 31, 2002								
Sales premium	$	67	$	41	$	24	$	132
Revenue premium income		1,377		278		127		1,782

Individual Life Insurance

Individual life insurance sales, measured by annualized premium, increased by 30% to $140 million in 2003, while revenue premium exceeded $1.9 billion, including $30 million of Canada Life sales and $301 million of Canada Life revenue premium.

Sales of participating policies increased 19% in 2003, and continued strong in the age 50+ wealth management market. The Company has a leading market position of more than 40% of Canadian participating insurance sales.

Sound management of its participating insurance businesses enables delivery of long-term policyholder dividend performance that is consistently among the best in the industry. However, a sustained lower investment return on the assets backing liabilities in all the participating accounts is reflected in a reduction to the policyholder dividend scales, effective April 1, 2004 for Great-West and London Life, and effective January 1, 2004 for Canada Life. A regulated percentage of in-year distributable surplus in the participating account is credited to the shareholder account. In 2003, the total amount credited was $18 million.

Risk Analysis and Management – The most significant risk in the life insurance business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices developed to support the long-term sustainability of the business. Because of the long-term nature of life insurance contracts, the impact of underwriting practices tends to emerge 20 or 30 years after contracts are issued, when most claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as today's practices.

A current industry risk involves the pricing of the level cost of insurance option within universal life products. The pricing of this option, guaranteed for the life of the policy, requires a guaranteed interest rate and lapse assumption extending over a long period. A small adverse change in actual long-term lapses or investment returns can lead to significant insufficiency in premiums. Management continues to prudently manage this pricing risk.

Living Benefits

Living benefits sales, consisting of disability insurance and critical illness insurance, increased by 42% in 2003 for a total of $34 million in new annualized premium, including $9 million of Canada Life sales. This growth was mainly due to increased sales of critical illness insurance. Overall, revenue premium increased 20% to $153 million, indicating strong persistency. Included in this figure is $16 million of revenue premium from Canada Life.

Critical illness insurance sales of $11 million in new annualized premium represented 121% growth in 2003. Included in this figure is $5 million from Canada Life. *Oasis*™, Great-West's critical illness product, was first introduced in 2000 and further enhanced in recent years. Within a short period, this product has become a market leader. Canada Life's sales of the *Life Advance*™ critical illness insurance product were $9 million for the 2003 calendar year, or 69% ahead of 2002. Canada Life has held a strong position in the critical illness market for a number of years and introduced a Term-to-100 product in 2003.

Disability insurance sales increased 21% to $23 million in new annualized premium in 2003. Included in this figure is $3 million of sales for Canada Life. During this time, industry sales have decreased, driven partially by a decline in cancelable product sales. Great-West launched a pilot Guaranteed Standard Issue program in 2002, and completed a full launch of the program in 2003.

Risk Analysis and Management – The significant risk for this line of business is morbidity, which is the incidence and duration of disability insurance claims and the incidence of critical conditions for critical illness insurance. Disability experience is highly cyclical.

The Company manages the disability risk through its underwriting practices, experience and trend analysis, in addition to its reserve and pricing reviews. Current morbidity experience reflects the diligence of past underwriting practices and pricing, as well as current practices.

Retirement & Investment Services

Divisional Summary *(1) (in $ millions)*

Years ended	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 2003					
Sales premium					
Risk-based products	$ 415	$ 66	$ 9	$ 128	$ 618
Segregated funds	1,829	418	353	–	2,600
Revenue premium income					
Risk-based products	171	272	–	113	556
Segregated funds	1,492	1,430	378	–	3,300
Assets under administration					
Risk-based products	2,322	2,750	45	6,555	11,672
Segregated funds	14,131	10,194	5,018	–	29,343
Total	$ 16,453	$ 12,944	$ 5,063	$ 6,555	$ 41,015
December 31, 2002					
Sales premium					
Risk-based products	$ 374	$ 39	$ 1	$ 45	$ 459
Segregated funds	1,963	209	361	–	2,533
Revenue premium income					
Risk-based products	90	152	–	32	274
Segregated funds	1,649	802	361	–	2,812
Assets under administration					
Risk-based products	1,226	1,124	43	2,603	4,996
Segregated funds	10,074	3,797	4,633	–	18,504
Total	$ 11,300	$ 4,921	$ 4,676	$ 2,603	$ 23,500

(1) Excludes Quadrus distributed mutual funds sales and assets.

The Retirement & Investment Services (RIS) Division experienced increased sales in 2003. Sales results reflected both the acquisition of Canada Life and difficult market conditions during the first half of the year, particularly in the retail segregated funds area.

Individual retail segregated funds grew 40% during 2003, or 14% excluding Canada Life assets acquired during the year.

Through the acquisition of Canada Life, the Company strengthened its leading market share position for individual segregated funds assets to 32%, from 26% at the end of 2002.

The Company continued to generate positive net cash flows from retail segregated funds. This compares favourably with Investment Funds Institute of Canada (IFIC) members, which in total experienced negative cash flows in 2003.

The Company offers 56 Freedom Funds™ to individual Freedom 55 Financial clients and 54 segregated funds to individual Great-West clients. Canada Life's core segregated fund product, *Canada Life Generations™*, was re-launched in late 2003 with 54 funds now offered. The Company's focus is on long-term financial security planning, rather than short-term performance. Great-West and London Life's investment planning process includes an asset allocation program to help clients build a portfolio to meet long-term needs through Great-West and London Life proprietary segregated funds and Quadrus Investment Services' proprietary mutual funds. A new suite of asset class funds, supported by an effective asset allocation system, was launched for Canada Life and is expected to increase sales in 2004.

Mutual Funds – Mutual fund assets distributed by Quadrus licensed investment representatives increased 40% over 2002, which included successfully repatriating investment representatives and their mutual fund business to Quadrus. In 2003, sales of mutual funds through Quadrus increased 27%.

Quadrus Investment Services *(in $ millions)*

Years ended December 31	2003	2002
Mutual fund sales	$ 248	$ 195
Distributed mutual fund assets	1,614	1,152

Quadrus offers 38 mutual funds under the *Quadrus Group of Funds™* brand. Quadrus works closely with Mackenzie Financial Corporation (Mackenzie), a member of the Power Financial Corporation group of companies, which manages Quadrus' administrative platform. The Company expects significant growth in this relatively new line of business.

Risk Analysis and Management – The Company's investment fund business is fee-based, with revenue and profitability based on the market value of investment fund assets under management. Fluctuations in fund asset levels occur as a result of both changes in cash flow and general investment market conditions. Through its wide range of funds, the Company limits its risk exposure to any particular market. As well, the Company encourages its clients to follow a long-term asset allocation approach, the success of which is evident with the Company and clients experiencing significantly better net cash flow on its segregated funds than overall mutual fund industry results.

At December 31, 2003, approximately half of individual segregated funds assets were in holdings of either a diversified group of funds or "fund of funds" investment profiles, which are designed to improve the likelihood of optimal returns within a given level of risk.

With the significant increase in the group retirement business resulting from the acquisition of Canada Life, the Company has expanded its presence in this relatively stable business. With a significant proportion of premiums being received through employer-sponsored, payroll deduction plans, contributions and withdrawals from this business are less affected by volatile market conditions.

Outlook – IIIP

The acquisition of Canada Life in 2003 and the strategies implemented by Great-West over the past few years have positioned the IIIP Division with a powerful distribution platform and leading market shares in all individual product lines. The Company's array of distribution channels now includes:

- Freedom 55 Financial exclusive financial security advisors
- affiliated financial security advisors and specialist brokers with Great-West
- brokers associated with managing general agents
- national accounts, including Investors Group consultants, and
- direct brokers associated with Canada Life.

The result is a multi-channel distribution system with an unmatched breadth and reach in the Canadian market.

The individual lines of business have strategies to access the various distribution channels through three product brands – Great-West, London Life and Canada Life. These strategies are designed, based on the needs of each distribution channel, to maximize opportunities and avoid channel conflict. As a result, the IIIP Division is well positioned for future growth.

Canada Life holds a leading position in the large case capital accumulation market, while Great-West leads the small and medium-size markets. Together, the joint Canada Life and Great-West organization, which includes the former Canada Trust business of Canada Life, is a leading provider in the capital accumulation market.

A partnership with systems provider Solium Capital now enables the Company to broaden its product offering to include stock incentive plans such as stock purchase and stock option plans. The ability to offer a full range of capital accumulation plan products, combined with the Division's unique positioning in all size markets, positions the Company very well for future success.

Integration of Canada Life

The integration of Canada Life provides a growth opportunity by maintaining the Canada Life brand and expanding the Company's distribution channels, while it allows the Company to reduce expenses by combining administrative operations.

The integration of Canada Life is proceeding as planned.

- Canada Life's distribution channels were extensively surveyed to gain a better understanding of growth opportunities. This analysis set the stage for further enhancing distribution service and support in 2004.
- In 2003, the Company successfully launched a new segregated funds product to complement Canada Life business. Integration of the administrative processes of IIIP is complete.
- The integration of all other IIIP segregated funds administrative processes made significant progress in 2003, with most activities planned for completion by mid-year 2004.

Europe/Reinsurance

The Europe/Reinsurance Division is broadly organized along geographically defined market segments and offers a wide range of protection and wealth management products and reinsurance. The Division is comprised of two distinct businesses: Europe, which consists of operating divisions in the United Kingdom, Isle of Man, Republic of Ireland, Germany and around the world; and Reinsurance, which operates primarily in the United States and Europe.

The Division is comprised of Canada Life's Europe and reinsurance business, together with LRG, a subsidiary of London Life. Prior to the acquisition of CLFC, this segment was named Reinsurance & Specialty, and was comprised of LRG and London Guarantee.

Consolidated Net Income *(in $ millions)*

Years ended December 31	2003 Shareholder	2003 Participating	2003 Total	2002 Shareholder	2002 Participating	2002 Total
Income:						
Premium income	$ 4,592	$ 84	$ 4,676	$ 3,922	$ –	$ 3,922
Net investment income	726	73	799	474	–	474
Fee and other income	126	–	126	2	–	2
Total income	5,444	157	5,601	4,398	–	4,398
Benefits and Expenses:						
Paid or credited to policyholders	5,007	136	5,143	4,338	–	4,338
Other	282	17	299	28	–	28
Net operating income before income taxes	155	4	159	32	–	32
Income taxes	6	3	9	2	–	2
Net income before non-controlling interests	149	1	150	30	–	30
Non-controlling interests	1	–	1	1	–	1
Net income	$ 148	$ 1	$ 149	$ 29	$ –	$ 29

Summary of Net Income

	2003 Shareholder	2003 Participating	2003 Total	2002 Shareholder	2002 Participating	2002 Total
Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ (15)	$ (15)	$ –	$ –	$ –
Policyholder dividends	–	(16)	(16)	–	–	–
Net income – participating policyholder	–	1	1	–	–	–
Attributable to shareholder						
Preferred shareholder dividends	–	–	–	–	–	–
Net income – common shareholder	148	–	148	29	–	29
	148	–	148	29	–	29
Net income	$ 148	$ 1	$ 149	$ 29	$ –	$ 29

Consolidated 2003 Europe/Reinsurance results are the results of Canada Life from the date of acquisition, together with the full year results of LRG. Comparable 2002 results are those of LRG and London Guarantee.

Net Income *(in $ millions)*

December 31	2003	2002
Participating policyholder	$ 1	$ –
Shareholder		
Europe	90	–
Reinsurance	48	(1)
London Guarantee/Other	10	30
Total	148	29
Net Income	$ 149	$ 29

Net income attributable to common shareholder was $148 million for the year, compared to $29 million in 2002. Improved earnings in LRG and the inclusion of Canada Life contributed to the year over year growth. Earnings for 2002 included the gain on sale of London Guarantee of $31 million. The Division delivered solid earnings and revenue, despite the weaker British Pound Sterling and U.S. dollar against the Canadian dollar, the impact of market uncertainty on equity-based product sales, adverse mortality experience in group insurance and unfavourable claims experience on certain property and casualty reinsurance contracts. The acquisition of Canada Life and improved margins in the ongoing business in LRG were the key contributors to the increase in net income in 2003 for the Europe/Reinsurance Division.

Europe/Reinsurance – Divisional Summary *(includes CLFC from date of acquisition) (in $ millions)*

Years ended	Europe		Reinsurance	
	Participating	Non-Participating	Non-Participating	Total
December 31, 2003				
Sales premium	$ –	$ 1,653	$ 3,532	$ 5,185
Premiums and deposits	84	909	3,683	4,676
Segregated funds deposits	–	1,140	–	1,140
Net income	1	90	58	149
December 31, 2002				
Sales premium	$ –	$ –	$ 3,922	$ 3,922
Premiums and deposits	–	–	3,922	3,922
Net income	–	–	29	29

Europe

International operations of Canada Life and its subsidiaries are primarily located in Europe, and offer a focused range of protection and wealth management products and related services mainly in the U.K., Isle of Man, Republic of Ireland and Germany.

The core products offered in United Kingdom operations are payout annuities and group insurance that are distributed through independent financial advisors and pension and benefit consultants. The Isle of Man operations sell and market mostly savings and retirement products through independent financial advisors in the United Kingdom and brokers in other selected territories.

The core products offered in the Ireland market are individual insurance, savings and pension products that are distributed through independent brokers and a direct sales force. The German operations focus on pension business that is distributed through independent brokers.

Canada Life continues to increase its presence in its defined market segments by focusing on the introduction of new products and services, enhancement of distribution capabilities and intermediary relationships.

Market Position	Products and Services	Distribution
U.K. and Isle of Man • Among the top 30 life insurance companies operating in U.K. • A market leader, with 29% share of the group life market • Second in the group income protection market with 18% share • A top provider of offshore single premium investment product into the U.K., with 17% market share • A provider of offshore unit linked business, with 5% market share • Among the top five insurers in payout annuities, with 7% market share **Ireland** • Among the top five insurers by new business market share **Germany** • Among the top five in broker unit linked market	**Individual Insurance** • Life insurance • Critical illness **Group Insurance** • Income protection • Disability • Critical illness **Wealth Management** • Pensions • Savings • Payout annuities	**U.K. and Isle of Man** • Independent financial advisors and brokers **Ireland** • Independent brokers and direct sales force **Germany** • Independent brokers

Divisional Summary – by Product *(in $ millions)*

For the period July 10 to December 31, 2003	Sales	Premiums
Individual insurance	$ 16	$ 177
Group life and health insurance	197	285
Wealth management	1,440	1,671
Total	$ 1,653	$ 2,133

All in-year 2003 activity of Europe operations reflects the period from the date of acquisition of CLFC.

Individual Insurance – Individual insurance sales, measured by new annualized premium, were $16 million in 2003.

Total non-participating and participating individual insurance premiums were $177 million in 2003. All sales were of non-participating products.

Group Insurance – Group insurance sales were $197 million in 2003 as a result of strong group sales in the U.K. operations.

Group insurance premium income was $285 million in 2003, primarily generated by Canada Life's operation in the U.K., reflecting its leading position in this market with strong renewal activities.

Wealth Management – Wealth Management sales were $1,440 million in 2003 due to strong sales of payout annuities in U.K. operations and of pensions in Germany.

Wealth Management premiums and deposits were $1,671 million for the year, mostly generated by European operations. The uncertainty in the global stock markets contributed to the relatively weaker sales in equity-based products offered by its European operations.

During 2003, a business efficiency program in the U.K., Isle of Man, and Republic of Ireland and Germany was established to focus on service and on cost reduction through process improvements.

Competitive Conditions

United Kingdom and Isle of Man – Canada Life ranks in the top 30 life insurance companies operating in the United Kingdom, and holds strong positions in several niche areas:

- In the group protection business, Canada Life is the leader in the group life market with market share of 29% and second in the group income protection market with 18% market share.
- In the wealth management business, Canada Life is a top provider of offshore single premium investment products into the United Kingdom, with 17% of that market and 5% of the offshore unit linked world market share. The newly added institutional channel helped further strengthen the market presence of the Isle of Man operations.
- In the retirement business, Canada Life is a top five payout annuity provider with 7% market share.

Republic of Ireland and Germany – The life insurance market in Ireland is very mature with one of the highest penetration rates in the world. The larger companies hold a significant share of the market. Canada Life is the fifth largest life insurance operation in Ireland as measured by new business market share.

The Irish market declined in 2003 from 2002. The cessation of the 2002 government-sponsored "Special Savings Investment Accounts" that had generated strong sales, and a decline in investor confidence in the stock market dampened the 2003 sales. Confidence has improved over the last number of months and Canada Life expects an increase in its single premium products sales. Growth in the pensions market is strong and the Company is well positioned to benefit from this in 2004.

In 2003, prior to the acquisition of CLFC by the Company, Canada Life acquired a German life operation. This acquisition rapidly expanded Canada Life's presence in the German market and it now ranks in the top five companies in the broker unit linked market.

Risk Analysis and Management

- ***Individual Insurance*** – The most significant risk in the life insurance business is mortality and morbidity, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. Canada Life manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. Because of the long-term nature of life insurance contracts, the impact of underwriting practices tends to emerge 20 or 30 years after contracts are issued, when most claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as today's practices.
- ***Wealth Management*** – Canada Life's investment fund business is fee-based, with revenue and profitability based on the market value of investment fund assets under management. Fluctuations in fund asset levels occur as a result of both changes in cash flow and general investment market conditions. Through its wide range of funds, Canada Life limits its risk exposure to any particular market. As well, Canada Life encourages its clients to follow a long-term asset allocation approach.

Reinsurance

The Company's reinsurance business is conducted through the reinsurance group of companies, including operations of both Canada Life and LRG, primarily in Canada, the United States and Europe niche markets. The Company's business includes both reinsurance and retrocession business transacted directly with clients or through professional reinsurance brokers.

Products and Services	Distribution
Life insurance • Yearly renewable term • Co-insurance • Financial reinsurance **Property & Casualty** • Catastrophe **Annuity** • Investment funds guarantee	• Independent reinsurance brokers • Direct placements

Premium income was $3,683 million for the year, including $151 million of CLFC from date of acquisition. Premium income for LRG decreased by $392 million or 10% compared to 2002, due in large part to the change in U.S. $ translation rates.

Risk Analysis and Management – The main risks related to the reinsurance business have been discussed on pages 16 and 17 of this report. The Company uses a variety of techniques to manage these risks effectively. These techniques include cash flow matching of assets and liabilities, credit quality monitoring, and investing in assets in the same currency as the matching liabilities. In addition, the Company monitors cedant companies' claims experience on an ongoing basis. Diversification of products by underlying insurance type and geography continues to be an overriding risk mitigation tool.

For some types of reinsurance business written in the United States, clients are required pursuant to their insurance laws to obtain letters of credit issued on the Company's behalf for approved banks in order to further secure the Company's obligations under the reinsurance contracts. At December 31, 2003, LRG had syndicated letters of credit facilities in place providing US $1.1 billion of capacity.

Outlook – Europe/Reinsurance

Supported by its recent fully integrated acquisitions, Europe/Reinsurance represents a strong diversified platform for future growth with expanded product and service offerings and increased market presence. The Division is leveraging the benefit of technology and process improvement initiatives to lower cost and improve service in all of its businesses. The Division is well positioned to meet a broad range of customer needs relating to protection and wealth management.

The Europe/Reinsurance Division will continue to focus on its core businesses, Individual and Group Insurance, Wealth Management, and Reinsurance. Leveraging on its established market presence and the financial strength of its diversified platform, the Division will continue to grow its business in a cost effective disciplined manner. Supported by the recent recovery of global stock markets, the division is well positioned for success.

In the United Kingdom, the Division expects to continue to grow the payout annuity business and build on its strong market position. After an encouraging start to its on-shore launch of a new segregated fund fixed income product at the end of 2002, the Division expects to continue to build on this in 2004, leveraging its strong offshore position. The Division successfully completed the integration of the group business onto one platform in 2003. In 2004, the Division will turn its attention to develop the Group business and improve its earnings potential.

In the Republic of Ireland operations, including the German operation, growth is expected to result from increased investor confidence in stock market performance combined with strong investment performance.

The life reinsurance market is expected to continue to grow in 2004 as the Company's customers continue to seek surplus and risk relief in response to market opportunities.

Corporate – Consolidated Income

The Corporate account is mainly comprised of the operations of the United States branches of Great-West and of Canada Life since date of acquisition, restructuring costs, as well as investment income and distributions related to capital, and other expenses not associated with major business units.

Products and Services	Distribution
Great-West	
• Individual non-participating life insurance	• Closed block of business
• Individual health insurance	• Closed block of business
Canada Life	
• Individual participating and non-participating life insurance	• Closed block of business
• Group life and health insurance	• Sale announced in January, 2004
• Individual health insurance	• Closed block of business

Highlights
U.S. Branch Operations

- Great-West has a closed block of individual life business with total assets of $225 million at December 31, 2003.
- Effective August 1, 2003, the Canada Life Branch reinsured 80% of its business to GWL&A.
- In December 2003, GWL&A purchased the shares of two subsidiaries of Canada Life, Canada Life Insurance Company of America (CLICA) and Canada Life Insurance Company of New York (CLINY), and recorded $55 million in contributed shareholder surplus and $5 million in contributed participating policyholder surplus.
- Canada Life has total assets of $3.4 billion at December 31, 2003.

Consolidated Net Income *(in $ millions)*
Years ended December 31

	2003			2002		
	Shareholder	Participating	Total	Shareholder	Participating	Total
Income:						
Premium income	$ 145	$ 37	$ 182	$ 17	$ –	$ 17
Bulk reinsurance – initial ceded premiums	(2,566)	(997)	(3,563)	–	–	–
	(2,421)	(960)	(3,381)	17	–	17
Net investment income	245	4	249	97	–	97
Fee and other income	27	–	27	18	–	18
Total income	(2,149)	(956)	(3,105)	132	–	132
Benefits and Expenses:						
Paid or credited to policyholders	(2,334)	(952)	(3,286)	37	–	37
Other	75	6	81	19	–	19
Restructuring costs	26	–	26	–	–	–
Amortization of finite life intangible assets	7	–	7	–	–	–
Distribution on Capital Trust Securities	28	–	28	1	–	1
Net operating income before income taxes	49	(10)	39	75	–	75
Income taxes	(37)	(6)	(43)	(55)	–	(55)
Net income before non-controlling interests	86	(4)	82	130	–	130
Non-controlling interests	13	–	13	21	–	21
Net income	$ 73	$ (4)	$ 69	$ 109	$ –	$ 109

Summary of Net Income

	Shareholder	Participating	Total	Shareholder	Participating	Total
Attributable to participating policyholder						
Net income before policyholder dividends	$ –	$ 3	$ 3	$ –	$ –	$ –
Policyholder dividends	–	7	7	–	–	–
Net income – participating policyholder	–	(4)	(4)	–	–	–
Attributable to shareholder						
Preferred shareholder dividends	11	–	11	14	–	14
Net income – common shareholder	62	–	62	95	–	95
	73	–	73	109	–	109
Net income	$ 73	$ (4)	$ 69	$ 109	$ –	$ 109

Corporate results include the operations of Canada Life from the date of acquisition.

Net Income *(in $ millions)*

Years ended December 31	2003	2002
Participating policyholder	$ (4)	$ –
Preferred shareholder dividends	11	14
Common shareholder		
Great-West U.S. branch	4	7
Canada Life U.S. branch	32	–
Restructuring costs after tax	(16)	–
Gain on sale – Lifestyle Retirement Communities	17	–
Other Corporate	25	88
Total common shareholder	62	95
Total	$ 69	109

Net income attributable to common shareholder in the Corporate account in 2003 was $62 million, compared to $95 million for 2002.

Net income for 2003 from the branch operations of Great-West and Canada Life from date of acquisition, was $36 million ($7 million in 2002). These are closed blocks of business as described on page 40. Restructuring costs incurred in 2003, associated with the acquisition of Canada Life, were $16 million and are described in note 3 of the Great-West financial statements. Also included in net income for 2003 was a gain on sale of a subsidiairy described in note 2(b) of the Great-West financial statements.

Premiums and Deposits *(in $ millions)*

Years ended December 31	2003			2002		
	Participating	Non-Participating	Total	Participating	Non-Participating	Total
Business/Product						
Group Insurance	$ –	$ 97	$ 97	$ –	$ 4	$ 4
Individual Markets	37	48	85	–	11	11
Individual Disability	–	–	–	–	2	2
Segregated Funds						
– Individual Markets	–	136	136	–	–	–
Total premiums and deposits	$ 37	$ 281	$ 318	$ –	$ 17	$ 17
Reinsurance – see page 21	(997)	(2,566)	(3,563)	–	–	–
Net premiums and deposits	$ (960)	$ (2,285)	$ (3,245)	$ –	$ 17	$ 17

Total premiums and deposits for 2003 before the charge for bulk reinsurance were $318 million. Included in this total was $311 million of premium income for Canada Life since date of acquisition.

Outlook – Corporate

Management has closed all distribution channels in the U.S. Branch of Great-West and Canada Life, with the exception of the group life and health business. On January 14, 2004, the Company announced the proposed sale of Canada Life's U.S. group life and health business (excluding stop loss) to Jefferson Pilot Corporation. The transaction is expected to close in the first quarter of 2004, subject to regulatory approvals.

Management is in the process of integrating the administrative operations of Canada Life with GWL&A and expects this to be completed in 2004.

FINANCIAL REPORTING RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of the Office of the Superintendent of Financial Institutions Canada. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly present, in all material respects, the financial position, results of operations, and cash flows of the Company and the financial position and changes in assets of the Company's segregated funds.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the presentation of financial statements in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements were approved by the Board of Directors which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which is comprised of non-management directors. The Audit Committee is charged with the responsibility to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors and to the Appointed Actuary.

The Board of Directors of the Company, pursuant to Section 165(2)(i) of the Insurance Companies Act (Canada), appoints the Actuary who is:

- Responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Required to provide an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion, which is presented following the financial statements.
- Required each year to analyze the financial condition of the Company and prepare a report for the Board of Directors. The analysis tests the capital adequacy of the company until December 31, 2007, under adverse economic and business conditions.

Deloitte & Touche LLP Chartered Accountants, as the Company's external auditors, has audited the consolidated financial statements. The Auditors' Report to the Policyholders, Shareholders and Directors is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company in accordance with Canadian generally accepted accounting principles.

Raymond L. McFeetors
President and Chief Executive Officer

William W. Lovatt
Executive Vice-President Chief Financial Officer

January 29, 2004

SUMMARY OF CONSOLIDATED OPERATIONS

(in $ millions, except per share amounts)

	For the years ended December 31 2003	2002
Income		
Premium income	$ 9,937	$ 8,198
Bulk reinsurance – initial ceded premium *(note 16)*	(6,279)	–
	3,658	8,198
Net investment income	3,212	2,148
Fee and other income	660	420
	7,530	10,766
Benefits and Expenses		
Policyholder benefits	9,333	7,283
Increase in actuarial liabilities *(note 16)*	(5,549)	942
Policyholder dividends and experience refunds	783	753
Total paid or credited to policyholders	4,567	8,978
Commissions	663	427
Operating expenses	1,023	607
Restructuring costs *(note 3)*	26	–
Premium taxes	112	60
Amortization of finite life intangible assets *(note 6)*	7	–
Distribution on capital trust securities *(note 9)*	28	1
Net operating income before income taxes	1,104	693
Income taxes – current	457	197
– future	(187)	(1)
Net income before non-controlling interests	834	497
Non-controlling interests *(note 9)*	14	22
Net income	$ 820	$ 475
Earnings per common share	$ 440.70	$ 376.97

Summary of Net Income		
Attributable to participating policyholder *(note 10)*		
Net income before policyholder dividends	$ 763	$ 608
Policyholder dividends	666	608
Net income – participating policyholder	97	–
Attributable to shareholder		
Preferred shareholder dividends	11	14
Net income – common shareholder	712	461
	723	475
Net income	$ 820	$ 475

CONSOLIDATED BALANCE SHEET

(in $ millions)

	December 31 2003	2002
Assets		
Bonds *(note 4)*	$ 36,942	$ 17,114
Mortgage loans *(note 4)*	12,686	7,190
Stocks *(note 4)*	2,665	1,414
Real estate *(note 4)*	1,433	1,080
Loans to policyholders	2,194	1,494
Cash and certificates of deposit	1,901	533
Funds withheld by ceding insurers	4,142	4,786
Premiums in course of collection	350	219
Interest due and accrued	669	301
Future income taxes *(note 14)*	191	–
Goodwill and intangible assets *(note 6)*	6,582	1,597
Other assets	980	326
General funds assets	$ 70,735	$ 36,054
Segregated funds assets	$ 44,874	$ 18,504

Approved by the Board:

Robert Gratton
Chairman of the Board

Raymond L. McFeetors
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

(in $ millions)

	December 31	
	2003	2002
Liabilities		
Policy liabilities		
Actuarial liabilities *(note 7)*	$ 45,715	$ 25,900
Provision for claims	826	377
Provision for policyholder dividends	482	306
Provision for experience rating refunds	689	778
Policyholder funds	1,820	1,528
	49,532	28,889
Commercial paper and other loans *(note 8)*	1,030	583
Current income taxes	589	452
Future income taxes *(note 14)*	–	132
Funds held under reinsurance contracts *(note 16)*	4,592	–
Other liabilities	3,143	1,124
Net deferred gains on portfolio investments sold *(note 4)*	2,098	814
	60,984	31,994
Non-controlling interests *(note 9)*	827	552
Policyholder and Shareholder Equity		
Participating policyholder surplus *(note 10)*	1,387	1,243
Capital stock *(note 11)*	5,905	1,003
Shareholder surplus	1,695	1,247
Provision for unrealized gain (loss) on translation of net investment in foreign operations		
Participating policyholder *(note 10)*	(7)	3
Shareholder	(56)	12
	8,924	3,508
General funds liabilities, policyholder and shareholder equity	$ 70,735	$ 36,054
Segregated funds	$ 44,874	$ 18,504

CONSOLIDATED STATEMENT OF SURPLUS

(in $ millions)

	For the years ended December 31	
	2003	2002
Participating Policyholder		
Balance, beginning of year	$ 1,243	$ 1,243
Canada Life Financial Corporation at date of acquisition *(note 2)*	42	–
Gain on sale of subsidiaries to a related party *(note 13)*	5	–
Net income	97	–
Balance, end of year	$ 1,387	$ 1,243
Shareholder		
Balance, beginning of year	$ 1,247	$ 1,131
Net income	723	475
Issue costs of subsidiary, net of taxes *(note 9)*	–	(3)
Gain on sale of subsidiaries to a related party *(note 13)*	55	–
Dividends to shareholders		
Preferred shareholders	(11)	(14)
Common shareholders	(319)	(342)
Balance, end of year	$ 1,695	$ 1,247

CONSOLIDATED STATEMENT OF CASH FLOWS

(in $ millions)

	For the years ended December 31	
	2003	2002
Operations		
Net income	$ 820	$ 475
Adjustments for non-cash items:		
Change in policy liabilities	(5,119)	1,065
Change in funds withheld by ceding insurers	644	(309)
Change in funds held under reinsurance contracts	4,592	–
Change in current income taxes payable	110	61
Future income tax expense	(187)	(1)
Other	365	153
Cash flows from operations	1,225	1,444
Financing Activities		
Issue of preferred shares to parent	–	1
Issue of Great-West Life Capital Trust securities	–	350
Redemption of preferred shares of subsidiary	–	(250)
Repayment of subordinated debt to parent	–	(63)
Repayment of commercial paper and other loans	(20)	(59)
Issue costs of subsidiary	–	(5)
Dividends paid	(330)	(356)
	(350)	(382)
Investment Activities		
Bond sales and maturities	16,989	10,080
Mortgage loan repayments	1,688	1,364
Stock sales	1,066	359
Real estate sales	571	37
Change in loans to policyholders	(30)	(61)
Investment in Canada Life Financial Corporation	143	–
Investment in subsidiaries	469	72
Investment in bonds	(18,111)	(10,960)
Investment in mortgage loans	(1,765)	(1,147)
Investment in stocks	(424)	(590)
Investment in real estate	(103)	(36)
	493	(882)
Increase in cash and certificates of deposit	1,368	180
Cash and certificates of deposit, beginning of year	533	353
Cash and certificates of deposit, end of year	$ 1,901	$ 533
Supplementary Cash Flow Information		
Income taxes paid	$ 210	$ 130
Interest paid	$ 49	$ 39

SEGREGATED FUNDS – CONSOLIDATED ASSETS

(in $ millions)

	December 31	
	2003	2002
Bonds	$ 7,731	$ 4,132
Mortgage loans	1,466	1,349
Stocks	30,872	10,521
Real estate	3,119	2,022
Cash and certificates of deposit	2,292	1,102
Income due and accrued	148	76
Other assets (liabilities)	(754)	(698)
	$ 44,874	$ 18,504

SEGREGATED FUNDS – CONSOLIDATED STATEMENT OF CHANGES IN ASSETS

(in $ millions)

	For the years ended December 31	
	2003	2002
Segregated funds assets, beginning of year	$ 18,504	$ 19,093
Additions (deductions):		
Policyholder deposits	4,576	2,812
Net investment income	417	341
Net realized capital gains (losses) on investments	(192)	(603)
Net unrealized capital gains (losses) on investments	3,576	(888)
Unrealized gains (losses) due to change in foreign exchange rates	342	(5)
Disposition of subsidiaries	(442)	–
Canada Life Financial Corporation at date of acquisition *(note 2)*	22,045	–
Policyholder withdrawals	(3,986)	(2,360)
Net transfer from General Fund	34	114
	26,370	(589)
Segregated funds assets, end of year	$ 44,874	$ 18,504

1. Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of The Great-West Life Assurance Company (Great-West or the Company) include the accounts of its subsidiary companies and have been prepared in accordance with Subsection 331(4) of the Insurance Companies Act, which states that, except as otherwise specified by the Superintendent of Financial Institutions Canada (OSFI), the consolidated financial statements are to be prepared in accordance with Canadian generally accepted accounting principles for life insurance enterprises, including the accounting requirements of OSFI. The principal subsidiaries at December 31, 2003 are:

London Insurance Group (LIG)
Canada Life Financial Corporation (CLFC)
GWL Investment Management Ltd. (GWLIM)
GWL Realty Advisors Inc.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $26 ($23 in 2002). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $111 ($92 in 2002). Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income on a declining-balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

Effective July 1, 2002, the Company has implemented revised OSFI rates used to calculate the moving average market value adjustments for stocks and real estate. The rate used to adjust stocks towards market value has been changed from 15% per annum to 5% per quarter and the rate used to adjust real estate towards market value has been changed from 10% per annum to 3% per quarter. This change in accounting estimate was applied prospectively and did not have a material effect on the financial statements of the Company.

(b) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative purposes.

The Company documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheet or to specific firm commitments or transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments used by the Company are summarized in note 15.

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position. In the event a designated hedged item is sold, extinguished, matures or ceases to be effective prior to the termination of the related derivative instrument, any subsequent realized or unrealized gains or losses on such derivative instruments are recognized in income.

(c) Foreign Currency Translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. The provision for unrealized gain (loss) of $(63) ($15 in 2002) on foreign currency translation of the Company's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of a portion of revenues and investment in foreign operations into Canadian dollars.

During 2002 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1650 Foreign Currency Translation. The amended standards eliminate the deferral and amortization approach to exchange gains and losses on long-term monetary items and require the disclosure of exchange gains and losses included in the calculation of net income. There is no material effect of this change in accounting policy on the financial statements of the Company.

(d) Costs Associated with Exit and Disposal Activities

In March 2003, the CICA issued Emerging Issue Committee (EIC) Abstract EIC-135 Accounting for Costs Associated with Exit and Disposal Activities (Including Costs Incurred in a Restructuring) for restructurings initiated after March 31, 2003. The standard replaces EIC-60 Liability Recognition for Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring) and requires recognition of integration and restructuring costs in income when they are incurred. See note 3 for the impact of this standard on the financial statements of the Company.

(e) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

(f) Funds Withheld by Ceding Insurer/Funds Held Under Reinsurance Contracts

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer or payable to the reinsurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

(g) Goodwill and Intangible Assets

During 2002, the Company adopted the recommendations of the CICA Handbook Section 1581 Business Combinations and 3062 Goodwill and Other Intangible Assets.

In accordance with the requirements of the new standards, during 2002, the Company:
- analyzed existing goodwill and reclassified items that should be recognized as separate intangible assets;
- completed impairment testing of all indefinite life intangible assets;
- ceased amortizing goodwill and indefinite life intangible assets;
- allocated goodwill to reporting units and completed the related transitional impairment testing of allocated goodwill;
- established October 1 as the date of the annual impairment testing of allocated goodwill and intangible assets.

No impairment loss resulted from the transitional or annual impairment testing. Other than the elimination of goodwill amortization charges from the Summary of Consolidated Operations, and the reclassifications on the Consolidated Balance Sheet as described in note 6, the new standards had no impact on the Company's financial statements.

Finite life intangible assets are amortized as a straight-line basis over a period of 20 years. During 2002, the Company identified indefinite life intangible assets acquired as part of LIG in 1997, which are not subject to amortization.

(h) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

The Company's premium revenues, total paid or credited to policyholders and policy liabilities are all shown net of reinsurance amounts ceded to, or including amounts assumed from, other insurers.

Fee and other income primarily includes fees earned from the management of segregated fund assets, fees earned on the administration of administrative services only (ASO) Group health contracts and fees earned from investment management services.

(i) Software Costs

Included in other assets are software acquisition and development costs that are carried at cost less accumulated amortization computed on a straight-line basis over the estimated useful life to a maximum of 10 years. Impairment exists when the carrying value of the capitalized software costs exceeds the undiscounted cash flows expected from the use of the software, and is measured as the excess of the carrying value over the fair value.

(j) Participating Account

The shareholder portion of participating earnings represents, as restricted by law, a portion of net income before policyholder dividends of the participating account, $18 in 2003 ($16 in 2002). The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid. $34 of shareholder surplus ($32 in 2002) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders.

The Canada Life participating account is comprised of two main subdivisions. The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts. These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions. If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long term to support the liabilities of these policies and the future reasonable net income expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account. Any such transfers from the shareholder account would be recorded as a charge to shareholder net income.

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization. On demutualization, $50 of seed capital was transferred from shareholder surplus to the participating account. Subject to approval by OSFI, the seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies. Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus. A reasonable rate of return on seed capital is recognized as income in the shareholder account and as an expense in the participating account.

(k) Income Taxes

The Company uses the liability method of income tax allocation. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantially enacted at the balance sheet date.

(l) Pension Plans and Other Post Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group. Experience gains and losses are calculated using a market related value of assets. Plan assets are carried at market values and are held in separate trusteed pension funds.

(in $ millions except per share amounts)

1. Basis of Presentation and Summary of Accounting Policies *(cont'd)*

The Company also provides post retirement health and life insurance benefits to eligible employees, agents and their dependents. The cost of all post retirement benefits other than pensions are actuarially determined and accrued using the projected benefit method pro-rated on service and are recognized over the periods of employee service. The current cost of post retirement health and life insurance benefits is charged to earnings.

(m) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted average number of common shares outstanding of 1,616,057 (1,222,936 in 2002).

2. Acquisition and Disposals

(a) Acquisition of Canada Life Financial Corporation

On July 10, 2003, Great-West Lifeco Inc. (Lifeco) acquired all of the outstanding common shares of Canada Life Financial Corporation (CLFC), the parent company of The Canada Life Assurance Company (Canada Life), that were not already beneficially owned by the Company at a price of $44.50 per CLFC common share, representing an aggregate transaction value of $7.2 billion, including estimated transaction costs.

Immediately after the acquisition, Lifeco conveyed its ownership of CLFC common shares to Great-West at cost. The transfer of assets and liabilities was recorded at book value.

The details of the acquisition are as follows:

	Participating Account	Shareholder Account	Total
Value of assets acquired:			
Cash and certificates of deposit	$ 251	$ 2,142	$ 2,393
Bonds	4,031	18,578	22,609
Mortgage loans	1,042	6,358	7,400
Stocks	694	757	1,451
Real estate	157	812	969
Loans to policyholders	716	339	1,055
Other invested assets	9	458	467
Intangible assets	–	870	870
Other assets	121	1,550	1,671
	$ 7,021	$ 31,864	$ 38,885
Value of liabilities assumed:			
Policy liabilities	6,588	24,979	31,567
Commercial paper and other loans	–	594	594
Income taxes payable	39	74	113
Net deferred gains on portfolio investments sold	332	842	1,174
Other liabilities	19	1,653	1,672
Non-controlling interests	–	492	492
Participating policyholder surplus	43	–	43
Preferred shares	–	162	162
	7,021	28,796	35,817
Fair value of net assets acquired	$ –	$ 3,068	$ 3,068
Total purchase consideration:			
Cash			$ 2,215
Great-West common shares (1)			4,902
Fair value of Lifeco options exchanged for CLFC options			10
Value of CLFC common shares already owned			21
Transaction and related costs, net of income taxes			23
			$ 7,171
Goodwill on acquisition			$ 4,103

(in $ millions except per share amounts)

The source of the cash provided as part of the consideration was as follows:

– Bank Facility (2)	$	1,194
– Internal Liquidity (3)		1,021
	$	2,215

(1) Great-West issued 791,492 common shares to Lifeco at a price of $6,193.47 per common share.

(2) The one year bank facility was assumed from Lifeco. The outstanding loan balance under this facility on December 31, 2003 was $0.

(3) Internal liquidity was provided by the Company in the form of sales of invested assets supporting shareholder liabilities and surplus other than actuarial liabilities.

The amounts assigned to the assets acquired and liabilities assumed and associated goodwill and intangible assets may be adjusted when the allocation process has been finalized. The acquired intangible assets include customer contract related intangible assets which are subject to amortization and brands and customer contract related intangible assets which are not subject to amortization (see note 6). Included in other liabilities are accruals for CLFC costs of $412 related to planned exit and consolidation activities involving operations and systems, compensation costs and facilities (see note 3).

Together with the 607,712 CLFC common shares Great-West already owned, which had a carrying value of $21 at the date of acquisition, Great-West owns 100% of all CLFC common shares outstanding.

Results of CLFC are included in the Summary of Consolidated Operations from the date of acquisition.

(b) Sale of Lifestyle Retirement Communities

During 2003, London Life completed its previously announced sale of Lifestyle Retirement Communities Ltd., a wholly-owned subsidiary of London Life, which resulted in an after-tax gain of $35 in the participating account and $17 in the shareholder account.

(c) Sale of London Guarantee Insurance Company

On March 21, 2002, London Life completed its previously announced sale of its 82.9% indirect interest in London Guarantee Insurance Company which resulted in an after tax-gain of $31.

(in $ millions except per share amounts)

3. Restructuring Costs

Following the acquisition of CLFC on July 10, 2003, the Company developed a plan to restructure and exit selected operations of CLFC. The Company expects the restructuring to be substantially completed by the end of 2004. Costs of $488 are expected to be incurred as a result and consist primarily of exit and consolidation actitivities involving operations and systems, compensation costs and facilities. The costs include approximately $412 that was recognized as part of the purchase equation of CLFC. Costs of approximately $76 will be charged to income as incurred (see note 1(d)).

The following details the amount and status of restructuring costs:

	Expected future costs			Amounts utilized in the period ended December 31, 2003			Balance December 31, 2003		
	Accrued on Acquisition	Expense as Incurred	Total	Accrued on Acquisition	Expense as Incurred	Total	Accrued on Acquisition	Expense as Incurred	Total
Costs of eliminating duplicate systems	$ 76	$ 41	$ 117	4	8	$ 12	$ 72	$ 33	$ 105
Costs of exiting and consolidating operations	51	15	66	11	14	25	40	1	41
Compensation costs	245	16	261	79	4	83	166	12	178
Costs of exiting and consolidating facilities	40	4	44	–	–	–	40	4	44
	$ 412	$ 76	$ 488	$ 94	$ 26	$ 120	$ 318	$ 50	$ 368

4. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

		2003		2002	
		Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Bonds	– government	$ 16,241	$ 16,484	$ 7,721	$ 8,128
	– corporate	20,701	21,426	9,393	9,826
		36,942	37,910	17,114	17,954
Mortgage loans	– residential single family	1,825	1,845	2,100	2,131
	– residential apartments	4,623	4,880	2,670	2,861
	– retail and shopping centres	2,667	2,791	965	1,073
	– office buildings	1,769	1,853	755	842
	– industrial	1,225	1,272	591	638
	– other	577	600	109	123
		12,686	13,241	7,190	7,668
Stocks	– public	2,331	2,560	1,284	1,293
	– private	334	335	130	130
		2,665	2,895	1,414	1,423
Real estate		1,433	1,587	1,080	1,269
		$ 53,726	$ 55,633	$ 26,798	$ 28,314

(in $ millions except per share amounts)

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions, are as follows:

	2003					
	Carrying Value					Effective
	Term to Maturity				Principal	Interest Rate
	1 Year or Less	1-5 Years	Over 5 Years	Total	Amount	Ranges
Short term bonds	$ 1,600	$ –	$ –	$ 1,600	$ 1,594	0.8%–2.9%
Bonds	2,409	9,055	23,998	35,462	40,540	1.2%–17.8%
Mortgage loans	106	4,469	8,114	12,689	13,291	3.6%–13.8%
	$ 4,115	$ 13,524	$ 32,112	$ 49,751	$ 55,425	

	2002					
	Carrying Value					Effective
	Term to Maturity				Principal	Interest Rate
	1 Year or Less	1-5 Years	Over 5 Years	Total	Amount	Ranges
Short term bonds	$ 705	$ –	$ –	$ 705	$ 710	1.3%–3.0%
Bonds	986	4,894	10,602	16,482	19,502	1.2%–14.5%
Mortgage loans	49	3,978	3,168	7,195	7,199	3.7%–14.0%
	$ 1,740	$ 8,872	$ 13,770	$ 24,382	$ 27,411	

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2003	2002
Asset Class		
Bonds	$ 200	$ 86
Mortgage loans	4	7
	$ 204	$ 93

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(in $ millions except per share amounts)

4. Portfolio Investments *(cont'd)*

(ii) Allowance for credit losses:

	2003	2002
Bonds & mortgage loans	$ 123	$ 78

(iii) Changes in the allowance for credit losses are as follows:

	2003	2002
Balance, beginning of year	$ 78	$ 46
Provision for credit losses	10	42
Recoveries of prior write-offs	(11)	6
Write-offs	(34)	(16)
CLFC at date of acquisition	111	–
Sale of U.S. subsidiaries	(41)	–
Other (including foreign exchange rate changes)	10	–
Balance, end of year	$ 123	$ 78

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects the Company's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance of $22 ($25 in 2002) which provides for deterioration of market values associated with real estate held for investment.

(e) Also included in portfolio investments are modified/restructured loans of $16 ($33 in 2002) that are performing in accordance with their current terms.

(f) Net investment income of $3,212 ($2,148 in 2002) includes amortization of net deferred realized gains on portfolio investments and unrealized gains on stocks and real estate as follows:

	2003	2002
Bonds	$ 140	$ 81
Mortgage loans	23	14
Stocks	88	65
Real estate	26	19
	$ 277	$ 179

(g) The balance of net deferred gains on portfolio investments sold is comprised of the following:

	2003	2002
Bonds	$ 1,479	$ 453
Mortgage loans	118	30
Stocks	350	317
Real estate	151	14
	$ 2,098	$ 814

(h) Portfolio investments supporting reinsurance contracts:

Included in invested assets are $1,040 ($1,172 in 2002) of assets which are held in various trust and escrow accounts. The assets have been placed in these accounts pursuant to the requirements of U.S. insurance laws or based on terms of the underlying reinsurance treaty, to support liabilities assumed under certain reinsurance contracts.

(in $ millions except per share amounts)

5. Pledging of Assets

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	2003	2002
Derivative transactions	$ 12	$ –
In respect of real estate	–	122
In respect of reinsurance agreements	35	49
	$ 47	$ 171

6. Goodwill and Intangible Assets

(a) Goodwill

The carrying value of goodwill and changes in carrying value of goodwill are as follows:

	2003		
	Shareholder	Participating Policyholder	Total
Balance, beginning of year	$ 1,068	$ –	$ 1,068
Acquisition of CLFC	4,103	–	4,103
Other acquisitions by subsidiaries	14	–	14
Changes in foreign exchange rates	(1)	–	(1)
Balance, end of year	$ 5,184	$ –	$ 5,184

	2002		
	Shareholder	Participating Policyholder	Total
Balance, beginning of year	$ 1,514	$ –	$ 1,514
Reclassification between goodwill and intangible assets	(529)	–	(529)
Reclassification between goodwill and future taxes	86	–	86
Sale of subsidiary	(3)	–	(3)
Balance, end of year	$ 1,068	$ –	$ 1,068

The goodwill arising from the CLFC acquisition may be adjusted in 2004 as part of the finalization of the allocation of the purchase price to the assets acquired and liabilities assumed of CLFC.

(b) Intangible Assets

The carrying value of intangible assets and changes in the carrying value of intangible assets are as follows:

	2003				
	Balance, beginning of year	CLFC acquisition	Amortization	Changes in foreign exchange rates	Balance, end of year
Indefinite life intangible assets					
– Brands and trademarks	$ 175	$ 235	$ –	$ –	$ 410
– Customer contract related	–	354	–	5	359
– Shareholder portion of acquired future Participating account profits	354	–	–	–	354
	529	589	–	5	1,123
Finite life intangible assets	–	281	(7)	1	275
Total	$ 529	$ 870	$ (7)	$ 6	$ 1,398

(in $ millions except per share amounts)

6. Goodwill and Intangible Assets *(cont'd)*

	2002		
	Balance, beginning of year	Reclassification from goodwill	Balance, end of year
Indefinite life intangible assets			
– Brands and trademarks	$ –	$ 175	$ 175
– Shareholder portion of acquired future Participating account profits	–	354	354
Total	$ –	$ 529	$ 529

7. Actuarial Liabilities

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	Participating Policyholder		Non-Participating Policyholder		Total	
	2003	2002	**2003**	2002	**2003**	2002
Group Insurance	$ –	$ –	$ 1,598	$ 2,829	$ 1,598	$ 2,829
Individual Insurance & Investment	14,836	10,979	15,652	6,132	30,488	17,111
Europe/Reinsurance	1,962	–	11,667	5,960	13,629	5,960
Total	$ 16,798	$ 10,979	$ 28,917	$ 14,921	$ 45,715	$ 25,900

(ii) The composition of the assets supporting liabilities and surplus are as follows:

	2003					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating	$ 8,315	$ 3,859	$ 289	$ 37	$ 4,298	$ 16,798
Non-Participating						
Group Insurance	769	399	39	–	391	1,598
Individual Insurance & Investment	9,478	5,032	423	17	702	15,652
Europe/Reinsurance	8,183	635	614	565	1,670	11,667
Other liabilities	8,422	2,742	728	403	3,801	16,096
Participating policyholder surplus	709	9	401	67	194	1,380
Capital and surplus	1,066	10	171	344	5,953	7,544
Total Balance Sheet Value	$ 36,942	$ 12,686	$ 2,665	$ 1,433	$ 17,009	$ 70,735
Fair Value	$ 37,910	$ 13,241	$ 2,895	$ 1,587	$ 17,009	$ 72,642

(in $ millions except per share amounts)

	2002					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating	$ 6,021	$ 3,062	$ 130	$ 2	$ 1,764	$ 10,979
Non-Participating						
Group Insurance	1,649	811	96	1	272	2,829
Individual Insurance & Investment	3,463	2,246	219	18	186	6,132
Reinsurance	1,427	–	74	–	4,459	5,960
Other liabilities	3,239	1,051	425	400	1,531	6,646
Participating policyholder surplus	342	9	382	363	150	1,246
Capital and surplus	973	11	88	296	894	2,262
Total Balance Sheet Value	$ 17,114	$ 7,190	$ 1,414	$ 1,080	$ 9,256	$ 36,054
Fair Value	$ 17,954	$ 7,668	$ 1,423	$ 1,269	$ 9,256	$ 37,570

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $47,161 ($26,345 in 2002). The fair value of these assets is $48,148 ($27,443 in 2002).

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts equal to the carrying value of the assets that, taking into account the other pertinent items on the balance sheet, will be sufficient to discharge the Company's obligations over the term of the liability for its insurance policies and to pay expenses related to the administration of those policies. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, actuarial liabilities have been determined in accordance with the Canadian Asset Liability Method.

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Participating Policyholder		Non-Participating Policyholder		Total	
	2003	2002	2003	2002	2003	2002
Balance, beginning of year	$ 10,979	$ 10,210	$ 14,921	$ 14,776	$ 25,900	$ 24,986
CLFC acquisition	5,974	–	24,140	–	30,114	–
Normal change – new business	(21)	11	1,341	993	1,320	1,004
– in force	961	758	(1,500)	(783)	(539)	(25)
Material assumption changes	(35)	–	(97)	(34)	(132)	(34)
Foreign exchange rate changes	32	–	(1,002)	(2)	(970)	(2)
Bulk reinsurance	(997)	–	(5,201)	–	(6,198)	–
Sale of subsidiary	(95)	–	(3,685)	(29)	(3,780)	(29)
Balance, end of year	$ 16,798	$ 10,979	$ 28,917	$ 14,921	$ 45,715	$ 25,900

In 2003, excess interest rate provisions were released for non-participating policyholders and lower expenses and improved morbidity were experienced by non-participating policyholders (offset by an increase of $66 in other policy liabilities). Improved mortality rates and lower expenses were experienced by participating policyholders. In 2002, excess interest rate provisions were released for non-participating policyholders and improved mortality rates were experienced by non-participating policyholders.

7. Actuarial Liabilities *(cont'd)*

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality
A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update the Company's experience valuation mortality table for life insurance. Where there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no future improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity
The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment returns
The assets which correspond to the liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine actuarial liabilities. Cash flows from assets are reduced to provide for projected asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk.

Expenses
Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy termination
Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has reflected the emerging trend of lower lapsation on lapse supported benefits in its policy liabilities.

Policyholder dividends
Future policyholder dividends are included in the determination of actuarial liabilities for participating policies. The Actuary has assumed that policyholder dividends will change in the future to reflect the experience of the participating account, consistent with the participating policyholder dividend policy.

(e) Risk Management

(i) Interest rate risk
Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes.

(in $ millions except per share amounts)

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged .19% (.19% in 2002).

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2003	2002
Participating Policyholder	$ 393	$ 281
Non-Participating Policyholder	378	125
	$ 771	$ 406

(iii) Reinsurance risk

Maximum benefit amount limits (which vary by line of business) are established for life and health insurance and property and casualty insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts, which include the reinsurance transactions described in note 16:

	2003	2002
Participating Policyholder	$ 1,079	$ 10
Non-Participating Policyholder	11,193	1,911
	$ 12,272	$ 1,921

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 60% of policyholder liabilities are non-cashable prior to maturity or subject to market value adjustments.

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short run is future investment returns. One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate 1% increase or an immediate 1% decrease in the level of interest rates. The effect of an immediate 1% increase in interest rates would be to decrease the present value of these projected cash flows by $69 ($5 in 2002). The effect of an immediate 1% decrease in interest rates would be to increase the present value of these net projected cash flows by $39 ($3 in 2002). The level of actuarial liabilities established under the Canadian Asset Liability Method of valuation provides for interest rate movements significantly greater than the 1% shifts shown above.

(in $ millions except per share amounts)

8. Commercial Paper and Other Loans

(a) Commercial paper and other loans consist of the following:

	2003		2002	
	Balance Sheet Value	Fair Value	Balance Sheet Value	Fair Value
Short Term				
Revolving credit in respect of reinsurance business with interest rates from 1.3% to 2.9% (1.8% to 3.4% in 2002) maturing within one year	$ 29	$ 29	$ 46	$ 46
Long Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	–	–	122	129
Other notes payable with interest of 8.0% (8.0% in 2002)	12	12	15	15
Sub total	12	12	137	144
Capital:				
Subordinated debentures due September 11, 2011 bearing a fixed rate of 8% until 2006 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%	278	278	–	–
Series A subordinated debentures due December 11, 2013 bearing a fixed rate of 5.8% until 2008 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1%	210	213	–	–
6.75% debentures due August 10, 2015, unsecured	200	223	200	218
Series B 6.40% debentures due December 11, 2028, unsecured	101	104	–	–
6.74% debentures due November 24, 2036, unsecured	200	217	200	210
Sub total	989	1,035	400	428
Total long term	1,001	1,047	537	572
Total	$ 1,030	$ 1,076	$ 583	$ 618
Interest expense on long term loans	$ 49		$ 39	

(b) Principal Repayments of Long Term Loans

	Operating	Capital	Total
2004	$ 1	$ –	$ 1
2005	1	–	1
2006	1	–	1
2007	1	–	1
2008	1	–	1
2009 and thereafter	7	950	957
	$ 12	$ 950	$ 962

(in $ millions except per share amounts)

9. Non-Controlling Interests

The Company controlled a 100% equity interest in LIG & Great-West Life Capital Trust at December 31, 2003 and 2002 and in CLFC & Canada Life Capital Trust at December 31, 2003. The non-controlling interests of Great-West and its subsidiaries are:

(a)

	2003	2002
Preferred shareholder dividends of subsidiaries	$ 13	$ 21
Non-controlling interests in capital stock and surplus	1	1
Total	$ 14	$ 22
Distribution on Great-West Life Capital Trust Securities	$ 21	$ 1
Distribution on Canada Life Capital Trust Securities	13	–
Trust securities held by consolidated group as temporary investments	(6)	–
	$ 28	$ 1

(b)

	2003	2002
Preferred shareholders of subsidiaries	$ 361	$ 200
Non-controlling interests in capital stock and surplus	–	2
Trust units issued by Great-West Life Capital Trust	350	350
Trust units issued by Canada Life Capital Trust	450	–
Acquisition related fair market value adjustment	41	–
Trust securities held by consolidated group as temporary investments	(375)	–
	466	350
	$ 827	$ 552

Preferred Shareholders

On December 31, 2002, the LIG Class 1 Series D 7.25% Non-Cumulative Preferred Shares and Class 1 Series E 7.20% Non-Cumulative Preferred Shares were redeemed by LIG at a price of $25 per share.

Great-West Life Capital Trust Securities (GREATs)

On December 20, 2002, Great-West Life Capital Trust (GWLCT), a trust controlled by the Company, issued $350 of non-voting GREATs which constitutes Tier 1 capital for Canadian regulatory purposes. Each holder of the GREATs will be entitled to receive a semi-annual non-cumulative fixed cash distribution of $29.975 per GREATs, representing an annual yield of 5.995%, payable out of GWLCT's net distributable funds. Subject to regulatory approval, GWLCT may redeem the GREATs, in whole or in part, at any time on or after December 31, 2007 and, under limited circumstances may redeem all, but not less than all of the GREATs prior to December 31, 2007. Related issue costs of $5 ($3 after-tax) were recognized as a charge to surplus in 2002.

Canada Life Capital Trust Securities (CLiCS)

On March 14, 2002, Canada Life Capital Trust (CLCT), a trust controlled by Canada Life, issued $450 of non-voting CLiCS consisting of $300 of non-voting CLiCS – Series A and $150 of non-voting CLiCS – Series B which constitutes Tier 1 capital for Canadian regulatory purposes. Each holder of the CLiCS – Series A and CLiCS – Series B will be entitled to receive a semi-annual non-cumulative fixed cash distribution of $33.395 and $37.645 per CLiCS, respectively, representing an annual yield of 6.679% and 7.529%, payable out of CLCT's net distributable funds. Subject to regulatory approval, CLCT may redeem the CLiCS, in whole or in part, at any time on or after June 30, 2007 and, under limited circumstances may redeem all, but not less than all of the CLiCS prior to June 30, 2007.

Companies within the consolidated group have purchased positions in both GREATs and CLiCS as temporary investments, which are shown as a reduction to non-controlling interests of $375 at December 31, 2003.

(in $ millions except per share amounts)

10. Participating Policyholder

The Company controls a 100% equity interest in London Life and Canada Life. The participating operations and the participating balance sheets are presented as combined or consolidated in the Company's financial statements. The following tables provide additional information related to the operations and financial position of each entity.

(a)

	2003	2002
Participating policyholder		
Net income attributable to participating policyholder before policy dividends		
Great-West	$ 105	$ 89
London Life	613	519
Canada Life	45	–
Policyholder dividends		
Great-West	89	91
London Life	531	517
Canada Life	46	–
Net income	$ 97	$ –

(b)

	2003	2002
Participating policyholder		
(i) undistributed surplus		
Great-West	$ 345	$ 330
London Life	995	913
Canada Life	47	–
	$ 1,387	$ 1,243
(ii) provision for unrealized gain (loss) on translation of net investment in foreign operation		
Great-West	–	–
London Life	(10)	3
Canada Life	3	–
	(7)	3
	$ 1,380	$ 1,246

11. Capital Stock

Authorized

Unlimited Preferred Shares
Unlimited Common Shares

	2003		2002	
	Number	Stated Value (thousands)	Number	Stated Value (thousands)
Issued and outstanding:				
Preferred Shares:				
Series L, 5.20% Non-Cumulative Preferred Shares	2,093,032	$ 52,326	2,093,032	$ 52,326
Series O, 5.55% Non-Cumulative Preferred Shares	6,278,671	156,966	6,278,671	156,966
Series Q, 5.00% Non-Cumulative Preferred Shares	40,000	1,000	40,000	1,000
Balance, end of year	8,411,703	$ 210,292	8,411,703	$ 210,292
Common Shares:				
Balance, beginning of year	1,236,575	$ 792,545	1,221,257	$ 719,746
Issued during year	–	–	15,318	72,799
Issued to parent on transfer of Canada Life Financial Corporation	791,492	4,902,000	–	–
Balance, end of year	2,028,067	$ 5,694,545	1,236,575	$ 792,545
Total Capital Stock		$ 5,904,837		$ 1,002,837

The Series L, 5.20% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible to Series M Preferred Shares at the option of the holder, in each case on October 31, 2007 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

The Series O, 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

(a) On July 10, 2003 as part of the transfer of Lifeco's ownership of CLFC to the Company, 791,492 common shares were issued to Lifeco for a value of $4,902 or $6,193.47 per common share.

(b) During 2002:

(i) The Series N, 5.00% Non-Cumulative Preferred Shares were exchanged for 15,318 common shares of the Company with a stated value of $73 on November 22, 2002.

(ii) The Company issued 40,000 Series Q, 5.00% Non-Cumulative Preferred Shares to its parent, Lifeco, for $25 per share. The shares are redeemable at the option of the Company on the later of December 31, 2007 and the date on which there are no GREATs (note 9) outstanding, subject to the requisite statutory approval.

(in $ millions except per share amounts)

12. Pension Plans and Other Post Retirement Benefits

(a) Defined Benefit Pension Plans

(i) The status of the Company's defined benefit pension plans is as follows:

	2003	2002
Assets at fair value	$ 2,384	$ 1,044
Accrued pension obligation	2,213	1,043
Excess of assets over obligations	171	1
Unamortized net experience losses (gains) and assumption changes	31	71
Unamortized net asset at transition	–	–
Valuation Allowance	(7)	–
Excess funding contribution balance (reflected in Other Assets/Liabilities)	$ 195	$ 72

Included in the above amounts were $1,044 ($750 in 2002) of plan assets and $1,237 ($786 in 2002) related to benefit obligations for pension plans that are not fully funded.

Significant Weighted-Average Actuarial Assumptions:		
Discount rate	6.13%	6.75%
Expected return on assets	7.18%	7.75%
Assumed compensation increase	4.88%	5.25%

(ii) The change in the fair value of plan assets is as follows:

	2003	2002
Fair value of assets, beginning of year	$ 1,044	$ 1,176
Employee contributions	8	5
Employer contributions	21	15
Return on plan assets	216	(34)
Benefits paid	(82)	(118)
CLFC at date of acquisition	1,171	–
Foreign exchange rate changes	6	–
Fair value of assets, end of year	$ 2,384	$ 1,044

(iii) The change in the accrued benefit obligation is as follows:

	2003	2002
Accumulated pension obligation, beginning of year	$ 1,043	$ 1,057
Current service cost	50	26
Interest on accrued pension obligation	101	69
Actuarial (gains) losses	53	10
Benefits paid	(83)	(119)
CLFC at date of acquisition	1,043	–
Foreign exchange rate changes	6	–
Accumulated pension obligation, end of year	$ 2,213	$ 1,043

(iv) Pension expense is determined as follows:

	2003	2002
Current service cost	$ 50	$ 25
Employee contributions	(8)	(5)
Employer current service cost	42	20
Interest on accrued pension obligation	101	67
Amortization of net experience gains and assumption changes	(1)	(8)
Amortization of net asset at transition	1	(4)
Expected return on plan assets	(116)	(87)
	$ 27	$ (12)

(in $ millions except per share amounts)

(b) Other Pension Plans

(i) The Company also maintains defined contribution pension plans for certain employees and agents the costs of which are as follows:

	2003	2002
Contributions expensed	$ 1	$ 2

(c) Other Post Retirement Benefits

(i) The status of the Company's other post retirement benefits plans is as follows:

	2003	2002
Accrued other post retirement benefits obligation	$ 473	$ 221
Unamortized experience gain (loss)	(126)	(23)
Accrued benefit obligation (reflected in Other Liabilities)	$ 347	$ 198

Significant Weighted-Average Actuarial Assumptions:
The discount rate used to determine the accrued benefit obligation was 6.25% for December 31, 2003 and 6.75% for December 31, 2002. In determining the expected cost of health care benefit plans, health care costs were assumed to increase by 7.3% in 2003 and gradually decrease to a level of 4.7% by 2009.

(ii) The change in the other post retirement benefits obligation is as follows:

	2003	2002
Accumulated other post retirement benefits obligation, beginning of year	$ 221	$ 191
Current service cost	8	7
Interest on accrued other post retirement benefit obligation	21	13
Actuarial (gains) losses	104	17
Benefits paid	(12)	(7)
CLFC at date of acquisition	132	–
Foreign exchange rate changes	(1)	–
Accumulated other post retirement benefits obligation, end of year	$ 473	$ 221

(iii) Other post retirement benefits expense is determined as follows:

	2003	2002
Current service cost	$ 8	$ 7
Interest on accrued other post retirement benefit obligation	21	13
	$ 29	$ 20

The effect of a 1% increase in assumed healthcare cost trend rates would be an increase in the accrued post retirement benefit obligation of $76 as at December 31, 2003 and an increase in the 2003 post retirement benefit expense of $6. A decrease of 1% in assumed healthcare cost trend rates would result in a decrease in the accrued benefit obligation of $59 as of December 31, 2003 and a decrease in the 2003 benefit expense of $4.

13. Related Party Transactions

In the normal course of business, the Company provided insurance benefits to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

(in $ millions except per share amounts)

13. Related Party Transactions *(cont'd)*

During the year, the Company provided and received from Investors Group, a member of the Power Financial Corporation group of companies, certain administrative services. The Company also provided life insurance, annuity and disability insurance products under a distribution agreement with Investors Group. London Life provided distribution services to Mackenzie Financial Corporation, a member of the Power Financial Corporation group of companies. All services were provided on terms and conditions at least as favourable as market terms and conditions.

During 2003, the Company purchased residential mortgages of $161 from Investors Group ($200 in 2002). The Company sold residential mortgages of $37 ($42 in 2002) to segregated funds maintained by the Company and $115 ($143 in 2002) to segregated funds maintained by London Life. All transactions were at market terms and conditions.

The Company has 6.75% Debentures due to Lifeco which have an outstanding balance of $200 ($200 in 2002) (note 8). Interest expense of $14 on this debt is included in the financial statements ($14 in 2002).

The Company has 6.74% Debentures due to Lifeco which have an outstanding balance of $200 ($200 in 2002) (note 8). Interest expense of $14 on this debt is included in the financial statements ($14 in 2002).

The Company has interest bearing notes receivable from GWL&A which have an outstanding balance of $40 ($53 in 2002). $7 ($13 in 2002) due on demand bears interest at the public bond rate (4.59% at December 31, 2003 and 4.2% at December 31, 2002). $33 matures on October 1, 2006 and bears interest at 5.4%.

On July 9, 2003 the Company issued $1.2 billion of 5.75% debentures to its parent, Lifeco. The Company made a corresponding investment of $1.2 billion in preferred shares of a wholly-owned subsidiary of Lifeco. The Company has legally enforceable rights to settle these financial instruments on a net basis, and the Company intends to exercise these rights. Accordingly the investment and debentures will be offset in the consolidated financial statements of the Company.

On December 31, 2003, Canada Life, a subsidiary of the Company, sold its two U.S. subsidiaries to GWL&A for cash proceeds of $303. As a result of this sale transaction, the Company recorded a gain of $55 in contributed surplus and $5 in participating policyholder surplus. The U.S. subsidiaries sold had acquired Canada life business in prior years and the sale resulted in $2,845 of liabilities ceded to a related party rather than a subsidiary.

During 2002 the Company repaid interest-free subordinated loans totalling $63 to its parent company, Lifeco.

14. Income Taxes

(a) Future income taxes consist of the following taxable temporary differences on:

	2003	2002
Policy liabilities	$ (42)	$ (83)
Portfolio investments	229	27
Other	4	(76)
Future income taxes receivable (payable)	$ 191	$ (132)

(b) The Company's effective income tax rate is derived as follows:

	2003	2002
Combined basic Canadian federal and provincial tax rate	36.6%	39.0%
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(9.8)	(11.3)
Lower effective tax rates on income not subject to tax in Canada	(3.2)	0.1
Investment income tax	2.4	3.7
Large corporations tax	0.2	0.2
Impact of rate changes on future income taxes	0.7	0.6
Miscellaneous	1.3	3.2
Effective income tax rate applicable to current year	28.2	35.5
Decrease in the income tax rate resulting from prior years' tax adjustments	(3.7)	(7.2)
Effective income tax rate	24.5%	28.3%

(in $ millions except per share amounts)

At December 31, 2003, CLFC had tax loss carryforwards, primarily in Canada, totalling $749. The future tax benefit of these tax loss carryforwards has been recognized, to the extent that they are more likely than not to be realized, in the amount of $244 in future tax assets. The Company will realize this benefit in future years through a reduction in current income taxes payable. In addition, an accumulated tax loss carryforward of $49 has not been recognized as a future tax asset.

2003 results include a $56 ($50 in 2002) net reduction of provisions for income taxes due to favourable tax experience arising from the completion of tax audits. The impact of this reduction in provisions was an increase in after tax income of $56 in 2003 ($41 in 2002) in the shareholder account and $0 in 2003 ($9 in 2002) in the participating policyholder account.

15. Off Balance Sheet Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. Contracts are either exchange traded or over-the-counter traded with counterparties that are highly rated financial institutions.

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

	2003				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Futures	$ 441	$ –	$ –	$ –	$ –
Swaps	796	15	5	20	8
Options purchased	718	56	11	67	13
	1,955	71	16	87	21
Foreign Exchange Contracts					
Forward contracts	1,293	8	13	21	4
Cross-currency swaps	1,799	146	110	256	65
	3,092	154	123	277	69
Other Derivative Contracts					
Equity contracts	433	67	23	86	19
	$ 5,480	$ 292	$ 162	$ 450	$ 109

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $4.*

	2002				
	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent*	Risk Weighted Equivalent
Interest Rate Contracts					
Swaps	$ 160	$ 8	$ 1	$ 9	$ 1
Foreign Exchange Contracts					
Forward contracts	64	1	1	2	–
Cross-currency swaps	820	3	47	50	8
	884	4	48	52	8
Other Derivative Contracts					
Equity contracts	266	61	18	30	11
	$ 1,310	$ 73	$ 67	$ 91	$ 20

* *Credit risk equivalent for equity contracts includes a reduction for collateral of $49.*

(in $ millions except per share amounts)

15. Off Balance Sheet Financial Instruments *(cont'd)*

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio:

2003

	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Futures	$ 441	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Swaps	226	298	272	3	–	–	–	–
Options purchased	–	–	718	56	–	–	–	–
	667	298	990	59	–	–	–	–
Foreign Exchange Contracts								
Forward contracts	74	–	–	(2)	1,219	–	–	(30)
Cross-currency swaps	88	633	944	103	20	87	27	13
	162	633	944	101	1,239	87	27	(17)
Other Derivative Contracts								
Equity contracts	278	2	–	61	153	–	–	6
	$ 1,107	$ 933	$ 1,934	$ 221	$ 1,392	$ 87	$ 27	$ (11)

2002

	Contracts Held for Asset/Liability Management				Contracts Held for Other Purposes			
	Notional Amount			Total	Notional Amount			Total
	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Estimated Fair Value
Interest Rate Contracts								
Swaps	$ 7	$ 121	$ 32	$ 5	$ –	$ –	$ –	$ –
Foreign Exchange Contracts								
Forward contracts	–	–	–	–	64	–	–	1
Cross-currency swaps	62	413	345	(121)	–	–	–	–
	62	413	345	(121)	64	–	–	1
Other Derivative Contracts								
Equity contracts	47	93	–	55	126	–	–	1
	$ 116	$ 627	$ 377	$ (61)	$ 190	$ –	$ –	$ 2

(c) ***Interest Rate Contracts***

Interest rate swaps are used to hedge interest rate risk related to asset and liability management. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Interest income is adjusted to reflect the interest receivable and interest payable under the interest rate swaps.

Interest rate swaptions are used to hedge interest rate risk related to asset and liability management. Premiums paid are amortized over the term of the swaption. Realized gains and losses are amortized over the remaining term of the contract.

Foreign Exchange Contracts

Cross-currency swaps are used to hedge foreign currency risk related to asset and liability management. Under these swaps principal amounts and fixed and floating interest payments may be exchanged in different currencies. The carrying value on the balance sheet is adjusted to reflect the amount of the currency swapped and interest income is adjusted to reflect the interest receivable and interest payable under the swaps. The Company also enters into certain foreign exchange forward contracts to hedge the translation of its foreign operations and surplus of its foreign operations into Canadian dollars. The realized and unrealized gains and losses on the contracts hedging surplus of foreign operations are included in the provision for unrealized gain (loss) on translation of net investment in foreign operations.

Other Derivative Contracts

Equity index swaps and futures are used to hedge certain product liabilities and are marked to market with realized and unrealized gains and losses included in net investment income offsetting the respective realized and unrealized gains and losses on the underlying product liabilities and a corresponding market value adjustment in the amounts paid or credited to policyholders. Equity index swaps are also used as substitutes for cash instruments and are marked to market with realized and unrealized gains and losses included in net investment income.

16. Reinsurance Transactions

(a) During 2003, a number of bulk reinsurance ceded contracts were executed by the Company with third parties on a funds withheld basis. Premiums related to the initial cession of in force business were $2,716.

(b) During 2003, a reinsurance agreement was executed between CLFC and GWL&A, a related party, whereby GWL&A reinsured 80% of the individual and group policy liabilities of CLFC's U.S. branch. Premiums related to the initial cession of this business were $3,563. Invested assets of $1,714 were transferred to GWL&A for the coinsurance arrangement and a liability of $1,662 established as part of funds held under reinsurance contracts was established for the invested assets the Company continues to hold under the modified coinsurance arrangements.

Total ceded premiums of $6,279 associated with these transactions have been recorded on the Summary of Consolidated Operations as a reduction to premium income with a corresponding reduction to the change in actuarial liabilities and provision for claims. For the Consolidated Balance Sheet, the transactions resulted in a reduction in policyholder liabilities of $4,592 and an increase in funds held under reinsurance contracts of the same amount.

17. Contingent Liabilities

The Company and its subsidiaries are subject to legal actions, including proposed class actions, arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

17. Contingent Liabilities *(cont'd)*

At December 31, 2003 there are three proposed class actions against the Company (one in each of British Columbia, Ontario and Quebec) and six against London Life (four in Ontario, and one in each of British Columbia and Quebec), related to the availability of policyholder dividends to pay future premiums. In June 2001, London Life announced an agreement to settle five of these actions. The agreement received final court approval in 2002. As at the date of the settlement, estimated future settlement benefits of $180 and expenses related to the administration of the settlement in the amount of $20 were fully provided for in existing reserves in London Life's participating account. Actual results could differ from those estimates. There is also a proposed class proceeding in Ontario against the Company, LIG and London Life regarding the participation of the London Life participating policyholder account in the financing of the acquisition of LIG in 1997 by Great-West. These proceedings are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that any of these proceedings will have a material adverse effect on the consolidated financial position of the Company.

18. The Event of September 11, 2001

As part of its reinsurance business, Canada Life has special risk reinsurance contracts with other insurers and reinsurers on which it has incurred losses as a result of the event of September 11, 2001. In 2001, Canada Life set up a total provision of $131 pre-tax ($85 after-tax) relating to these claims. The remaining net provision is $83 pre-tax as at December 31, 2003. The provision is recorded net of estimated reinsurance recoveries and catastrophe coverage.

Canada Life has entered into, and may in the future enter into, negotiations, arbitration proceedings or litigation with certain of it retrocessionaires in order to collect all amounts owed by such parties. Based on the information that Canada Life has to date, Canada Life believes that it will succeed in enforcing its rights in respect of each of its reinsurance agreement.

London Reinsurance Group (LRG) results in 2001 included a charge of $82 after-tax ($73 in the shareholder account and $9 in the participating policyholder account) relating to estimated claims provisions from the event of September 11, 2001. The payment of claims to the end of 2003 has not resulted in a change to those estimates, and no further charges have been recorded.

19. Commitments

(a) Syndicated Letters of Credit

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on London Reinsurance Group's (LRG, a subsidiary of London Life) behalf from approved banks in order to further secure LRG's obligations under certain reinsurance contracts.

LRG has a syndicated letter of credit facility providing U.S. $1,100 in letters of credit capacity. The facility has two tranches. One tranche, arranged in 2003 in the amount of U.S. $730, is for a one year term to November 23, 2004. The second tranche, arranged in 2002 in the amount of U.S. $370, has a three year term expiring November 15, 2005. Under the terms and conditions of the facility, collateralization may be required dependant on the future credit ratings of specific LRG subsidiaries and London Life or if a default under the letters of credit agreement occurs. LRG has issued U.S. $925 in letters of credit under the facility as at December 31, 2003. Subsequent to December 31, 2003, two transactions resulted in the reduction of total issued letters of credit under this facility to U.S. $818 as at January 5, 2004. LRG had issued U.S. $1,079 under a previous letter of credit facility at December 31, 2002. In addition, LRG has other bilateral letter of credit facilities totalling U.S. $40 (2002 – U.S. $40). Bonds and debentures in the amount of Cdn $4 (2002 – Cdn $11) have been pledged to support these letters of credit.

(b) Disclosure of Guarantees

The Company has adopted Accounting Guideline 14 (AcG-14), Disclosure of Guarantees, effective January 1, 2003, which identifies disclosure requirements for certain guarantees or groups of similar guarantees, even when the likelihood of the guarantor having to make any payments is slight.

The syndicated letters of credit described above meet the definition of guarantees.

(c) Crown Life Acquisition Agreements

As part of the 1999 acquisition by CLFC of the majority of Crown Life Insurance Company's (Crown Life) insurance operations, CLFC has the option, or may be obligated, to acquire the common shares of Crown Life and, through assumption reinsurance, the remaining insurance business of Crown Life at any time after January 1, 2004, subject to certain conditions, in which case CLFC would receive assets with a value equal to the liabilities assumed. The purchase price for the shares would be the fair value of the assets backing Crown Life's common shareholders' equity.

20. Segmented Information

The major reportable segments are the participating and shareholder operations of the Company. The Company operates through Great-West and its wholly owned subsidiaries LIG and CLFC.

Following the acquisition of CLFC by Lifeco the former Reinsurance & Specialty General Insurance business unit of the Company became the Europe/Reinsurance business unit, reflecting the management structure and organization of the Company. The Europe/Reinsurance business unit consists of reinsurance operations and the Company's operations in the United Kingdom, Ireland and Germany, and other international operations.

The major business units within the segments are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.
Europe/Reinsurance	– life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets. Life, health and disability insurance products for group clients and life insurance and disability insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients in the United Kingdom, Ireland and Germany.
Corporate	– business activities and operations that are not associated with the above business units.

(in $ millions except per share amounts)

20. Segmented Information *(cont'd)*

(a) Consolidated Operations

For the year ended December 31, 2003

	Shareholder					Participating	
	Group Insurance	Individual Insurance & Investment Products	Europe/ Reinsurance	Corporate	Total	Total	Total Company
Income:							
Premium income	$ 2,428	$ 1,054	$ 4,592	$ 145	$ 8,219	$ 1,718	$ 9,937
Bulk reinsurance – initial ceded premium	(2,716)	–	–	(2,566)	(5,282)	(997)	(6,279)
	(288)	1,054	4,592	(2,421)	2,937	721	3,658
Net investment income	252	766	726	245	1,989	1,223	3,212
Fee and other income	95	412	126	27	660	–	660
Total income	59	2,232	5,444	(2,149)	5,586	1,944	7,530
Benefits and Expenses:							
Paid or credited to policyholders	(799)	1,289	5,007	(2,334)	3,163	1,404	4,567
Other	590	525	282	75	1,472	326	1,798
Restructuring costs	–	–	–	26	26	–	26
Amortization of finite life intangible assets	–	–	–	7	7	–	7
Distribution on Capital Trust Securities	–	–	–	28	28	–	28
Net operating income before income taxes	268	418	155	49	890	214	1,104
Income taxes	74	110	6	(37)	153	117	270
Net income before non–controlling interests	194	308	149	86	737	97	834
Non–controlling interests	–	–	1	13	14	–	14
Net income	$ 194	$ 308	$ 148	$ 73	$ 723	$ 97	$ 820

Summary of Net Income

	Group Insurance	Individual Insurance & Investment Products	Europe/ Reinsurance	Corporate	Total	Total	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 763	$ 763
Policyholder dividends	–	–	–	–	–	666	666
Net income – participating policyholder	–	–	–	–	–	97	97
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	11	11	–	11
Net income – common shareholder	194	308	148	62	712	–	712
	194	308	148	73	723	–	723
Net income	$ 194	$ 308	$ 148	$ 73	$ 723	$ 97	$ 820

(in $ millions except per share amounts)

For the year ended December 31, 2002

	Shareholder					Participating	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance	Corporate	Total	Total	Total Company
Income:							
Premium income	$ 2,220	$ 662	$ 3,922	$ 17	$ 6,821	$ 1,377	$ 8,198
Net investment income	205	463	474	97	1,239	909	2,148
Fee and other income	68	332	2	18	420	–	420
Total income	2,493	1,457	4,398	132	8,480	2,286	10,766
Benefits and Expenses:							
Paid or credited to policyholders	1,868	741	4,338	37	6,984	1,994	8,978
Other	426	365	28	19	838	256	1,094
Distribution on Capital Trust Securities	–	–	–	1	1	–	1
Net operating income before income taxes	199	351	32	75	657	36	693
Income taxes	74	139	2	(55)	160	36	196
Net income before non–controlling interests	125	212	30	130	497	–	497
Non–controlling interests	–	–	1	21	22	–	22
Net income	$ 125	$ 212	$ 29	$ 109	$ 475	$ –	$ 475

Summary of Net Income

	Group Insurance	Individual Insurance & Investment Products	Reinsurance	Corporate	Total	Participating Total	Total Company
Attributable to participating policyholder							
Net income before policyholder dividends	$ –	$ –	$ –	$ –	$ –	$ 608	$ 608
Policyholder dividends	–	–	–	–	–	608	608
Net income – participating policyholder	–	–	–	–	–	–	–
Attributable to shareholder							
Preferred shareholder dividends	–	–	–	14	14	–	14
Net income – common shareholder	125	212	29	95	461	–	461
	125	212	29	109	475	–	475
Net income	$ 125	$ 212	$ 29	$ 109	$ 475	$ –	$ 475

(in $ millions except per share amounts)

20. Segmented Information *(cont'd)*

(b) Consolidated Balance Sheet

	2003			2002		
	Shareholder	Participating	Total	Shareholder	Participating	Total
Assets						
Invested assets	$ 36,217	$ 21,604	$ 57,821	$ 14,851	$ 13,974	$ 28,825
Goodwill and intangible assets	6,582	–	6,582	1,597	–	1,597
Other assets	5,592	740	6,332	5,217	415	5,632
Total assets	$ 48,391	$ 22,344	$ 70,735	$ 21,665	$ 14,389	$ 36,054
Segregated funds assets			44,874			18,504
Total assets under administration			$ 115,609			$ 54,558
Liabilities, Policyholder and Shareholder Equity						
Policy liabilities	$ 30,855	$ 18,677	$ 49,532	$ 16,283	$ 12,606	$ 28,889
Net deferred gains on portfolio investments sold	1,291	807	2,098	427	387	814
Other liabilities	7,874	1,480	9,354	2,141	150	2,291
Non-controlling interests	827	–	827	552	–	552
Capital stock and surplus	7,544	1,380	8,924	2,262	1,246	3,508
Total liabilities, policyholder and shareholder equity	$ 48,391	$ 22,344	$ 70,735	$ 21,665	$ 14,389	$ 36,054

APPOINTED ACTUARY'S REPORT

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2003 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the consolidated financial statements fairly present the result of the valuation.

Allan S. Edwards

A. S. Edwards
Fellow, Canadian Institute of Actuaries
Actuary, The Great-West Life Assurance Company

Winnipeg, Manitoba
January 29, 2004

AUDITORS' REPORT

To the Policyholders, Shareholders and Directors, The Great-West Life Assurance Company

We have audited the consolidated balance sheets of The Great-West Life Assurance Company and the statements of segregated funds consolidated assets as at December 31, 2003 and 2002 and the summaries of consolidated operations, the consolidated statements of surplus, the consolidated statements of cash flows and the segregated funds consolidated statements of changes in assets for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company and its segregated funds as at December 31, 2003 and 2002 and the results of its operations and its cash flows and the changes in net assets of its segregated funds for the years then ended in accordance with Canadian generally accepted accounting principles, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
January 29, 2004

SUMMARY OF PARTICIPATING POLICYHOLDER DIVIDEND POLICY

Each holder of a Great-West Life participating policy benefits from the surplus of the participating account at the date of issue, and throughout the life of the participating policy. This surplus was generated entirely from the net financial results of policies issued on a participating basis, both past and present.

The amount of surplus to be distributed at any time will depend upon the consideration of a number of factors, including the past and anticipated future net income of the participating account, the growth of the participating account and the need to retain surplus to provide capital to support the participating policies, the need to maintain consistency in distribution from one time period to another, and the overall solvency of the Company.

Great-West uses the contribution method of dividend determination for classes of participating policies. Premiums are calculated with assumed levels of investment returns, mortality/morbidity costs and expense loadings. To the extent that emerging experience is better than the levels assumed in the premium calculation for a particular class of policies, a contribution to surplus will be made by that class of policies. Distributable surplus for each class of policies is based upon the application to each policy of dividend calculation factors which reflect the contribution to surplus by that class of policies.

A copy of the full text of the Participating Policyholder Dividend Policy as approved by the Board of Directors is available, on request.

SUBSIDIARIES OF THE GREAT-WEST LIFE ASSURANCE COMPANY

December 31, 2003

Name	Principal Office Address	Carrying Value (1) (000)	Voting Share Ownership (%)
Gold Circle Insurance Company	Winnipeg, Manitoba	1,706	100.0%
GWL Investment Management Ltd.	Winnipeg, Manitoba	2,596	100.0%
GWL Realty Advisors Inc.	Winnipeg, Manitoba	–	100.0%
CGWLL Inc.	Winnipeg, Manitoba	4,947	100.0%
London Insurance Group Inc.	London, Ontario	2,436,855	100.0%
Canada Life Financial Corporation	Toronto, Ontario	6,731,510	100.0%

(1) The carrying value of shares is shown at the Company's equity interest in the subsidiaries

FIVE YEAR SUMMARY

(in millions of dollars except per common share amounts)

	2003	2002	2001	2000	1999
At December 31					
Life insurance in force (face amount)	$ 1,049,665	$ 313,106	$ 306,884	$ 294,408	$ 471,078
Annuities in force (funds held)	54,629	23,523	24,318	24,331	47,255
Health insurance in force (annualized premiums)	4,543	3,474	3,142	2,817	9,238
Total assets under administration	115,609	54,558	53,764	51,990	87,197
For the Year Ended December 31					
Premiums:					
Life insurance, guaranteed annuities and insured health products	$ 9,937	$ 8,198	$ 7,451	$ 9,976	$ 8,526
Self-funded premium equivalents (ASO contracts)	1,675	1,355	1,238	8,797	5,464
Segregated funds deposits:					
Individual products	2,768	1,649	1,586	2,776	1,962
Group products	1,808	1,163	1,045	5,325	3,988
Total premiums and deposits	16,188	12,365	11,320	26,874	19,940
Bulk reinsurance – initial ceded premium	(6,279)	–	–	–	–
Net premiums and deposits	$ 9,909	$ 12,365	$ 11,320	$ 26,874	$19,940
Condensed Summary of Operations					
Income					
Premium income	$ 9,937	$ 8,198	$ 7,451	$ 9,976	$ 8,526
Bulk reinsurance – initial ceded premium	(6,279)	–	–	–	–
	3,658	8,198	7,451	9,976	8,526
Net investment income	3,212	2,148	2,258	3,650	3,578
Fee and other income	660	420	391	1,641	1,222
Total income	7,530	10,766	10,100	15,267	13,326
Benefits and Expenses					
Paid or credited to policyholders	4,567	8,978	8,308	11,374	9,936
Commissions	663	427	400	694	601
Operating expenses	1,023	607	668	1,814	1,546
Restructuring costs	26	–	–	—	–
Premium taxes	112	60	67	129	123
Amortization of finite life intangible assets	7	–	–	–	–
Distribution on capital trust securities	28	1	–	–	–
Net operating income before income taxes	1,104	693	657	1,256	1,120
Income taxes – current	457	197	211	540	378
– future	(187)	(1)	61	(90)	(12)
Net income before non-controlling interests	834	497	385	806	754
Non-controlling interests	14	22	23	24	22
Net income before amortization of goodwill	820	475	362	782	732
Amortization of goodwill	–	–	61	64	61
Net income	$ 820	$ 475	$ 301	$ 718	$ 671
Summary of Net Income					
Attributable to participating policyholders					
Net income before policyholder dividends	$ 763	$ 608	$ 602	$ 744	$ 747
Policyholder dividends	666	608	584	717	664
Net income – participating policyholders	$ 97	$ –	$ 18	$ 27	$ 83
Attributable to shareholders					
Preferred shareholder dividends	$ 11	$ 14	$ 25	$ 37	$ 39
Net income – common shareholders	712	461	258	654	549
	723	475	283	691	588
Net income	$ 820	$ 475	$ 301	$ 718	$ 671
Earnings per common share	$ 440.70	$ 376.97	$ 214.90	$ 274.95	$ 231.28
Return on common shareholder equity	15.2%	24.0%	14.9%	19.1%	17.4%
Book value per common share	$ 3,616.00	$ 1,659.00	$ 1,527.00	$ 1,417.00	$ 1,369.00
Dividends to common shareholders					
– per share regular	$ 199.70	$ 248.14	$ 168.40	$ 140.00	$ 92.00
– per share special	$ –	$ $30.71	$ –	$ 31.53	$ –

BOARD OF DIRECTORS

As of December 31, 2003

Robert Gratton [3, 4, 5]
Chairman of the Board of the Company
President and Chief Executive Officer, Power Financial Corporation

Gail S. Asper [1]
Corporate Secretary, CanWest Global Communications Corporation

James W. Burns, O.C. [3, 4]
Director Emeritus, Power Corporation of Canada

Orest T. Dackow [3, 4]
Corporate Director

André Desmarais, O.C. [3, 4, 5]
President and Co-Chief Executive Officer, Power Corporation of Canada
Deputy Chairman, Power Financial Corporation

The Honourable Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee, Power Corporation of Canada

Paul Desmarais, Jr. [3, 4, 5]
Chairman and Co-Chief Executive Officer, Power Corporation of Canada
Chairman, Power Financial Corporation

Daniel Johnson [2, 3, 5]
Of Counsel to McCarthy Tétrault LLP

Kevin P. Kavanagh, C.M. [2, 3]
Corporate Director
Chancellor Emeritus, Brandon University

J. Blair MacAulay [4]
Of Counsel to Fraser Milner Casgrain LLP

William Mackness
Corporate Director

The Right Honourable Donald F. Mazankowski, P.C., O.C. [3, 4]
Corporate Director
Business Consultant

William T. McCallum
President and Chief Executive Officer, Great-West Life & Annuity Insurance Company
Co-President and Chief Executive Officer, Great-West Lifeco Inc.

Raymond L. McFeetors [3, 4]
President and Chief Executive Officer of the Company
Co-President and Chief Executive Officer, Great-West Lifeco Inc.
President and Chief Executive Officer, London Life Insurance Company
President and Chief Executive Officer, Canada Life Financial Corporation
President and Chief Executive Officer, The Canada Life Assurance Company

Randall L. Moffat [1, 5]
Corporate Director

Jerry E.A. Nickerson [1]
Chairman of the Board, H.B. Nickerson & Sons Limited

David A. Nield [3, 4]
Corporate Director

R. Jeffrey Orr
President and Chief Executive Officer, Investors Group Inc.

Gordon F. Osbaldeston, P.C., C.C. [2, 3]
Corporate Director

Michel Plessis-Bélair, F.C.A. [1, 3, 4]
Vice-Chairman and Chief Financial Officer, Power Corporation of Canada
Executive Vice-President and Chief Financial Officer, Power Financial Corporation

Guy St-Germain, C.M. [1, 3, 4]
President, Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
Vice-President, Power Corporation of Canada

1 Member of the Audit Committee 2 Member of the Conduct Review Committee 3 Member of the Executive Committee 4 Member of the Investment Committee 5 Member of the Compensation Committee

EXECUTIVE OFFICERS

Raymond L. McFeetors
President and Chief Executive Officer

William L. Acton
Executive Vice-President

Denis J. Devos
Executive Vice-President, Individual Insurance and Investment Products

Allan S. Edwards
Senior Vice-President and Actuary

James R. Grant
Executive Vice-President, Group

William W. Lovatt
Executive Vice-President and Chief Financial Officer

Peter G. Munro
Executive Vice-President and Chief Investment Officer

Ron D. Saull
Senior Vice-President and Chief Information Officer

Sheila A. Wagar
Senior Vice-President, General Counsel and Secretary

Administrative Services Only (ASO): An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

Annuity: A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. The consideration for an annuity is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

Cash value: The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

Critical illness insurance: A type of health insurance that provides a one-time lump sum benefit to an insured who has been diagnosed with a critical condition. To collect benefits, the insured must normally be diagnosed with a condition listed in the policy and live a certain period of time following the diagnosis.

Derivative financial instruments: Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

Swaps: Contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross-currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.

Options: Convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.

Forwards and Futures: Contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Notional Amount: The face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.

Maximum Credit Risk: The current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.

Future Credit Exposure: Represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.

Credit Risk Equivalent: Represents the total of maximum credit risk and future credit exposure, less collateral.

Risk-Weighted Equivalent: Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.

Total Estimated Fair Value: The net of contracts in a receivable position (maximum credit risk) and those in a payable position.

Disability insurance: A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual disability insurance policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

Experience refund: The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

Group Insurance Operations: A business unit of the Company, that markets life, health and disability insurance products and services for group clients.

Individual Insurance & Investment Products: A business unit of the Company in Canada that markets insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

Life insurance in force (face amount): The amount stated as payable at the death of the insured or at the maturity of the policy.

Living Benefits: A business unit of the Company in Canada that markets disability and critical illness insurance for individual clients.

Minimum Continuing Capital and Surplus Requirement (MCCSR): A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

Morbidity rate: The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

Mortality rate: The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

New annualized premium: A measure of new sales, equal to the full first-year premium on all sales made during the year.

Non-participating life insurance: Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI: Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

Participating life insurance: Life insurance on which policyholders share in the surplus earnings attributable to the participating business. Dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

Persistency: A measure of how long a policy or block of policies remains in force.

Policy liabilities: Amounts set aside today which, when combined with future premiums and investment income, will provide for future claims and expenses on those claims.

Policyholder dividend: A refund to the policyholder each year of a portion of the premium based on the company's experienced and anticipated costs. Policy dividends are not guaranteed but depend on mortality experience, investment earnings and other factors and may be increased or decreased at the discretion of the company.

Policyholder surplus: The excess of assets over liabilities in the participating policyholder account.

Premium income: The income from sales of insurance policies and retirement savings and income products.

Reinsurance contracts: Legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

Segregated funds: Investment funds managed separately from an insurance company's general funds, on behalf of clients. Unlike mutual funds, the principal invested may be guaranteed in the event of the death of the investor.

Term life insurance: Insurance that provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

Universal life insurance: A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the policy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest. The policyholder can specify the premium amount and change the death benefit after the policy has been issued, subject to restrictions established by the company.

Whole life insurance: Insurance that protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g. payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

POLICYHOLDER AND SHAREHOLDER INFORMATION

Head Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange Listings

Symbol: GWL.PR.L, GWL.PR.O
The Preferred Shares Series L and O are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

Computershare Trust Company of Canada
6th Floor, 530 8th Avenue S.W., Calgary, Alberta T2P 3S8

Dividends

The Preferred Shares Series L, O – Dividend record dates are usually between the 1st and 4th of January, April, July, and October. Dividends are usually paid the last day of January, April, July, and October.

Financial Information

For financial information about Great-West, please contact the Chief Financial Officer at (204) 946-7341.

For copies of the Annual or Quarterly Reports, please contact the Secretary's Office at (204) 946-8366 or visit our Web site: **www.gwl.ca**

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